

3 1761 11648226 6

Government
Publications

Government
Publications



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

Doc
Can
Com
P

Canada Prices, Special Committee
on, 1947/48

(SESSION 1947-48
HOUSE OF COMMONS

770^{on}

CA1 XC2

-48P63

SPECIAL COMMITTEE

ON

PRICES)

MINUTES OF PROCEEDINGS AND EVIDENCE *Reports*

NO. 1 *[and Appendix]*.

TUESDAY, FEBRUARY 10, 1948
WEDNESDAY, FEBRUARY 11, 1948

WITNESSES:

Mr. H. Marshall, Dominion Statistician, Dominion Bureau of Statistics.
Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948





MEMBERS OF THE COMMITTEE

HON. PAUL MARTIN, CHAIRMAN

Mr. Ralph Maybank, <i>Vice-chairman</i> ,	Mr. Charles E. Johnston,
Mr. Roland Beaudry,	Mr. Jean Lesage,
Mr. Hughes Cleaver,	Mr. Angus MacInnis,
Mr. Donald M. Fleming,	Mr. Robert W. Mayhew,
Mr. Douglas S. Harkness,	Mr. Robert McCubbin,
Mr. Karl K. Homuth,	Mr. Charles C. I. Merritt,
Mr. William Irvine,	Mr. Roch Pinard,
	Mr. Robert H. Winters.

R. ARSENAULT,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS

10th February, 1948.

Resolved—That a Select Committee of this House be appointed to examine and to report from time to time as to:

- (a) the causes of the recent rise in the cost of living;
- (b) prices which have been raised above levels justified by increased costs;
- (c) rises in prices due to the acquiring, accumulating or withholding from sale by any persons, firms or corporations of any goods beyond amounts reasonably required for the ordinary purposes of their businesses.

That the Committee shall have power to appoint from among its members such subcommittees as may be deemed advisable or necessary to deal with specific phases of the enquiry, and power to send for persons, papers and records, to examine witnesses under oath and to print such papers and evidence from day to day as may be ordered by the Committee.

That the Committee shall have leave to sit while the House is sitting;

That seven members of the Committee shall constitute a quorum;

That the Committee shall have power to engage the services of counsel, accountants and other necessary assistants who shall be paid out of the appropriation for Parliament;

That the Committee shall consist of: Messrs, Beaudry, Cleaver, Fleming, Homuth, Johnston, Knowles, Lesage, Martin, Maybank, Mayhew, McCubbin, Merritt, Nicholson, Pinard, Smith (*Calgary West*), Winters, and that Standing Order 65 be suspended in relation thereto.

Attest.

TUESDAY, February 10, 1948.

Ordered:—That the name of Mr. MacInnis be substituted for that of Mr. Knowles, the name of Mr. Irvine be substituted for that of Mr. Nicholson, and the name of Mr. Harkness for that of Mr. Smith (*Calgary West*) on the said Committee.

Attest.

R. T. GRAHAM
Deputy Clerk of the House

MINUTES OF PROCEEDINGS

TUESDAY, February 10, 1948.

The Special Committee on Prices met for organization at 8.00 p.m.

Members present: Messrs. Beaudry, Cleaver, Fleming, Harkness, Irvine, Johnston, Lesage, Martin, Maybank, Mayhew, MacInnis, McCubbin, Merritt, Pinard, Winters.

The Clerk invited nominations for Chairman.

On motion of Mr. Winters, seconded by Mr. Beaudry, Mr. Martin was appointed Chairman.

Mr. Martin took the Chair and addressed the Committee on the importance and urgency of the task assigned to it by the House.

On motion of Mr. Lesage, seconded by Mr. Mayhew, Mr. Maybank was appointed Vice-Chairman.

On motion of Mr. Harkness,

Ordered,—That 1,000 copies in English and 250 copies in French of the Committee's day-to-day Minutes of Proceedings and Evidence be printed.

It was agreed that the Committee would later give consideration to increasing the quantities authorized by the above resolution should they prove insufficient.

On motion of Mr. Pinard,

Resolved,—That a Steering Committee be appointed.

On motion of Mr. Cleaver,

Resolved,—That the Steering Committee consist of six members with the Chairman or, in his absence, the Vice-Chairman, member ex-officio.

By unanimous consent, the following members were selected to constitute the said Steering Committee: Messrs. Beaudry, Cleaver, Fleming, Johnston, MacInnis and Mayhew.

The Chairman invited the Steering Committee to meet immediately after adjournment.

On motion of Mr. MacInnis, the Committee adjourned until tomorrow, Wednesday, February 11, at 10.30 a.m.

R. ARSENAULT
Clerk of the Committee.

WEDNESDAY, February 11, 1948.

The Special Committee on Prices met at 10.30 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Cleaver, Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Merritt, Pinard, Winters.

The Chairman presented the First Report of the Steering Committee, viz:

Your Steering Committee, in its *First Report*, begs leave to recommend as follows:

1. That the Committee proceed this day by hearing Mr. H. Marshall, Dominion Statistician, to be followed by Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board, and Mr. F. A. McGregor, Commissioner, Combines Investigation Commission.
2. That Mr. H. A. Dyde, K.C., of Edmonton, Alberta, be immediately engaged as one of Counsel to the Committee.
3. That immediate steps be taken to secure the services of Mr. Walter Gordon, Chartered Accountant, of Toronto.
4. That all witnesses appearing before the Committee be sworn.
5. That all requests from individuals and organizations to appear before the Committee be, in the first instance, referred to the Steering Committee.
6. That, for the present, the Committee hold its sittings at 10.30 a.m., and 4.00 p.m.

All of which is respectfully submitted.

The above report was adopted with certain reservations in respect of recommendation No. 1 (*See Minutes of Evidence*).

Mr. H. Marshall, Dominion Statistician, was called and sworn.

Witness made a general statement and was examined.

Witness filed:

Exhibit No. 1—Statistical Memorandum on Prices, Price Indexes and other data prepared by the Dominion Bureau of Statistics and dated February 9, 1948.

Exhibit No. 2—Bulletins (5) on the method of computing the cost-of-living index.

The Clerk was instructed to have Exhibit No. 1 printed as an Appendix to this day's evidence.

At 1.00 p.m. witness retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m.

Members present: Messrs. Cleaver, Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, Merritt, McCubbin, Pinard, Winters.

Examination of Mr. Marshall was continued.

Witness retired.

Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board, was called and sworn.

He read a general statement and was examined.

At 6.05 p.m. witness retired and the committee adjourned to meet again on Thursday, February 12, at 10.30 a.m.

R. ARSENAULT,
Clerk of the Committee.

NOTE.—*Exhibit No. 1 "Statistical Memorandum on Prices, Price Indexes and other data prepared by the Dominion Bureau of Statistics", is printed separately as an Appendix to Minutes of Proceedings and Evidence No. 1.*

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, February 10, 1948

The Special Committee on Prices met this day at 8.00 p.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Gentlemen, may I say that I consider it an honour, but also a great responsibility, to have been selected to act as chairman of this committee. I thought that it might be worth while to suggest that this committee can bring out the facts about prices in this country. No problem today concerns Canada as much as the cost of living. This committee is widely representative of political opinion in the House of Commons, and I know that all political parties have chosen their members with great care in view of the importance they attach to the questions we have been asked to investigate.

Not only is the prices problem of first importance today but it is also of great urgency. It is because of that urgency that this committee has been called to meet within a few hours of the passage in the House of Commons of the resolution setting it up. I think it will be the intention of every member to see that the work is pushed forward as much as possible in order that all relevant information may be available for parliament and the people of Canada at the earliest possible date.

Our terms of reference are wide and include inquiry into: the causes of increases in living costs; price increases due to profiteering; price increases due to hoarding. I am certain that my role will not be easy, but I know that I will have the co-operation of every one of you. I know that every member of this committee will devote his time to the painstaking investigation of the matters which will come before us. I need hardly say that in our work the considerations which will influence us will be the considerations that are embraced within the terms of reference; namely, that we are going to put aside any considerations other than the one of trying to resolve, in so far as this committee has the power, the problems assigned to us. We want this inquiry to be complete and searching. Our terms of reference authorize us to conduct an investigation of sufficient scope to disclose all the fundamental factors in the rise in prices. Our aim will be to get all the facts and the scope of our inquiry will be nationwide.

I suggest, and it is merely a suggestion, that we may want to establish a firm background of economic facts for our enquiry by having persons who have specialized in the pursuit of these matters to outline to us the basic factors in Canada's present economic position, and such external considerations as may be of direct importance. It may be then, or it may be before, that we will want to put first things first and inquire at once, or shortly thereafter, into the staple commodities of life which I suggest may be deemed to be bread, butter, meat, vegetables, shoes and clothing.

Now, the character of this committee will be determined by the members of this committee and I am sure that they will not permit it to be used as a smoke-screen. They will not permit it to be a means of delaying action. In saying that the facts must be exposed, we should bear in mind that we are not a white-washing committee; nor, on the other hand, should this committee be used to "smear" anyone. This is a fact-finding committee. Our findings will, we trust, have a salutary effect, but no one who has acted fairly in setting prices need fear this investigation. But we should act without fear or favour, and I know that we will.

I should like to remind each member of the committee that he has the right and the responsibility and the opportunity to probe the causes of high prices and fearlessly to bring to light by his questions anything that may be thought to be a factor in keeping prices above what is fair and reasonable in the circumstances. The eyes of our country are on this committee. Our investigation will bring out the truth, we will trust, about prices; and this information will go in turn to our colleagues in the House of Commons and to our fellow citizens throughout the country. Our findings by helping to arouse awareness can significantly, I think, influence fair price levels, for this inquiry, I judge, will bring witnesses from all parts of Canada to the bar of public opinion.

I suggest that the urgent problems before us require special effort on our part. We will not spare ourselves in sitting long hours and in trying to get at the truth of this prices question. If we work co-operatively together, I know that our inquiry can successfully search out the facts about prices. Where prices are reasonable we shall so report; but where they are not fair it is now our duty to find them out.

Now, in these preliminary observations I have sought to give what I thought should be the chairman's remarks at the opening session of this committee. I can only say that I know I can count on the full co-operation of every member of this committee, and they in turn will expect me to give the kind of co-operation which I have suggested it must be my duty as chairman to give and with these remarks I open this meeting.

Now, gentlemen, it may be desirable, I suggest to the members of the committee, that we select from among our members someone to act as vice-chairman in the event that it should not be possible on different occasions for the chairman to be present. I make that suggestion to you.

Mr. LESAGE: Mr. Chairman, I move, seconded by Mr. Mayhew, that Mr. Maybank be vice-chairman.

Mr. IRVINE: I nominate Mr. Fleming.

The CHAIRMAN: Just a moment, Mr. Irvine; Mr. Lesage has moved that Mr. Maybank be vice-chairman. Has he a seconder?

Mr. LESAGE: Yes, Mr. Mayhew.

Mr. IRVINE: And I move that Mr. Fleming be vice-chairman.

The CHAIRMAN: Have you a seconder?

Mr. IRVINE: Mr. MacInnis seconds that.

Mr. FLEMING: Mr. Chairman—

The CHAIRMAN: Mr. Fleming.

Mr. FLEMING: Mr. Chairman, I appreciate the kindness of Mr. Irvine and Mr. MacInnis placing my name in nomination. However, I think I must decline to stand for this high but onerous office.

Mr. IRVINE: I would have nominated myself if I had known he was going to do that.

The CHAIRMAN: Mr. Fleming says he cannot act. Under the circumstances do you withdraw your motion?

Mr. IRVINE: Absolutely.

The CHAIRMAN: Are there any other nominations? If not I declare Mr. Maybank elected as vice-chairman. In accordance with the practice the clerk of the committee will be good enough to read the order of reference.

The CLERK:

10th of February 1948.

Resolved that a select committee of this House be appointed to examine and to report from time to time as to:

(a) the causes of recent rise in the cost of living;

(b) prices which have been raised above levels justified by increased costs;

(c) rises in prices due to the acquiring, accumulating or withholding from sale by any persons, firms or corporations of any goods beyond amounts reasonably required for the ordinary purposes of their businesses.

That the committee shall have power to appoint from among its members such sub-committees as may be deemed advisable or necessary to deal with specific phases of the inquiry, and power to send for persons, papers and records, to examine witnesses under oath and to print such papers and evidence from day to day as may be ordered by the committee.

That the committee shall have leave to sit while the House is sitting;

That seven members of the committee shall constitute a quorum;

That the committee shall have power to engage the services of counsel, accountants and other necessary assistants who shall be paid out of the appropriation for Parliament;

That the committee shall consist of: Messrs. Beaudry, Cleaver, Fleming, Homuth, Johnston, Knowles, Lesage, Martin, Maybank, Mayhew, McCubbin, Merritt, Nicholson Pinard, Smith (*Calgary West*), Winters, and that Standing Order 65 be suspended in relation thereto.

Attest.

(Signed) R. T. GRAHAM,

Deputy Clerk of the House.

TUESDAY, February 10, 1948.

Ordered that the name of Mr. MacInnis be substituted for that of Mr. Knowles, the name of Mr. Irvine be substituted for that of Mr. Nicholson, and the name of Mr. Harkness for that of Mr. Smith (*Calgary West*) on the said committee.

Attest.

R. T. GRAHAM,

Deputy Clerk of the House.

The CHAIRMAN: I am sure I express the views of all members of the committee when I say we are glad to have Mr. Arsenault, who is one of the senior men of the committee personnel of the House of Commons, assist us as clerk of this committee.

I think the next item of business should be the consideration of the printing of the minutes of proceedings and evidence of this committee. For the direction of the committee I may say that in the committee of 1934

there was authorization to print 1,000 copies in English and 250 copies in French. That proportion may or may not be satisfactory. It is up to the members of the committee to indicate their wishes in the matter.

Mr. HARKNESS: I would move that number of copies be printed.

The CHAIRMAN: You move 1,000 copies in English and 250 in French.

Mr. BEAUDRY: Perhaps we should have a proviso that that quantity may be changed later. There may be proportionately as much interest in the French speaking section of the country as there is in the English speaking section, and in that case the number of French copies might prove to be too small.

Mr. FLEMING: The same may apply to the English copies. We do not know yet.

Mr. HARKNESS: The number can be changed at any time.

The CHAIRMAN: For the time being we can go on with that. If we see there is a demand we can change it quite easily. Mr. Harkness has moved that.

Mr. IRVINE: I will second the motion.

The CHAIRMAN: Mr. Irvine seconds the motion. I think we can conveniently follow the practice that other committees have adopted, and particularly a committee whose work is likely to be as extensive as this one, of having a steering committee or agenda committee. I would suggest that to you, and I would also seek your direction as to whether you would prefer each party to select its own representative on that committee or if you prefer the members to be designated from the chair. Whatever you wish can be done. This committee would be a working committee which I would propose would meet tonight immediately after this organizational meeting and bring in proposals for the agenda of the next few days. If that meets with your wish I would entertain a motion to have a steering committee.

Mr. PINARD: I will move that motion. I think it might be left entirely to the chairman to choose the members of this committee in consultation with the other parties in question. As far as the number of the members is concerned I think that possibly five members would be sufficient for this agenda committee.

Mr. CLEAVER: The only suggestion I have to make is that I do think you should have at least one member on the committee from each of the opposition groups. I think they are all entitled to representation on the steering committee.

Mr. CHAIRMAN: Could we first of all entertain the idea of constituting the committee? Then we can talk about numbers and the ways and means by which we will select the personnel afterwards. Mr. Pinard moves that there be such a committee. Do I hear a seconder?

Mr. MAYBANK: I will second that.

The CHAIRMAN: What is your pleasure? Carried.

Mr. Pinard has suggested five. With the idea of giving representation to all the groups represented on the committee I would suggest seven, six plus the chairman as an ex officio member, or in his absence the vice-chairman.

Mr. CLEAVER: I would so move.

Mr. WINTERS: I second that.

Mr. MAYBANK: I think if the mover would include in that that the chairman should name this committee it would be worth while. I appreciate that the chairman would not name the committee without conferring with the opposition groups as to whom they desire to name, but the easiest way to do it is simply to leave it to the chairman and take advice from the various parties.

The CHAIRMAN: If that were done I would certainly want to consult all groups as to the personnel, and I would do that forthwith, but perhaps we might

leave that part out and proceed with the motion to set up a committee of six with the chairman as an ex officio member making a committee of seven. You have heard the motion. Carried? Carried.

What is the wish of the committee as to how we shall designate the personnel?

Mr. FLEMING: I suggest you leave that to the representatives of each party on the committee to nominate to you their representative.

The CHAIRMAN: Perhaps they could do that now and let me know.

Mr. IRVINE: I nominate Mr. MacInnis.

Mr. HARKNESS: I nominate Mr. Fleming.

Mr. WINTERS: I nominate Mr. Mayhew.

Mr. MAYBANK: I nominate Mr. Johnston.

Mr. PINARD: I nominate Mr. Beaudry.

Mr. CLEAVER: I nominate Mr. Maybank.

Mr. MAYBANK: You had better leave me off because I will be an ex officio member in case the chairman is not there.

Mr. LESAGE: I nominate Mr. Cleaver.

The CHAIRMAN: We have the following gentlemen nominated: Mr. MacInnis, Mr. Fleming, Mr. Johnston, Mr. Mayhew, Mr. Beaudry, and Mr. Cleaver. The chairman is an ex officio member, or in his absence Mr. Maybank. Are there any other nominations or is that personnel satisfactory?

Carried.

Now, gentlemen, I suggest that the subcommittee meet with me now and, subject to correction, I would suggest that we adjourn until tomorrow morning when the agenda committee will make a recommendation or do otherwise in a report to the full committee. I would hope that tomorrow morning we could actually begin our work, but before suggesting what I think we might do tomorrow I would want to confer with the subcommittee.

Mr. IRVINE: What hour would we meet tomorrow?

The CHAIRMAN: I would suggest—and I just throw this out to the committee because I know no one wants this work to be unduly protracted but everyone desires it to be complete—it will be completeness we will emphasize rather than the shortness of the meetings. To meet that objective I think we are going to have to meet early and I am afraid, to do our work completely, we may have to sit mornings, afternoons and evenings. I just put forward that suggestion but the committee will have to decide. This may be a matter that the subcommittee will have to consider.

However, we will have so much to do, unless we set that kind of target for ourselves in point of schedule we may not be as expeditious as I am sure all of us want to be in the prosecution of our work.

Mr. IRVINE: Do we have to have a motion to sit while the House of Commons is sitting?

The CHAIRMAN: No, the terms of reference provide for that. Would nine-thirty be too early in the morning?

Mr. MACINNIS: Mr. Chairman, if you are proceeding to discuss the time of sitting of the committee, without detracting at all from the importance of the committee and the necessity of getting on with the work, I would like to point out that the members of this committee will be prevented from sitting in the House if we are going to sit while the House is in session. If we are to meet too early in the morning, we shall not only be prevented from sitting in the House but we shall also be prevented from attending to that part of our business to

which we have to attend by correspondence. Consequently, I think in fairness to the members of the committee, we should not meet so early that we could not serve our constituencies in that part of our business which must be done by correspondence. In any case, I think we should not meet before ten-thirty in the morning.

The CHAIRMAN: I appreciate that, Mr. MacInnis.

Mr. BEAUDRY: I am in agreement with Mr. MacInnis on some points. I can see his reason, to some extent, for speaking as he did but, on the other hand, I believe our duty in this instance extends a bit beyond our responsibility to our immediate constituencies. I imagine that in the course of the business of this committee as it will develop, we shall have a great many dealings with business people throughout Canada. I think for the sake of those people, for ourselves and for the sake of celerity of the work of this committee we should contemplate, whenever it is humanly possible, commencing our sittings before ten-thirty.

I will defer to the wish of the majority of the committee but I, personally, should like to see the committee start earlier than ten-thirty every morning.

Mr. FLEMING: May I suggest we confine this part of our discussion to the time we shall meet tomorrow morning because this matter will have to be considered by the steering committee. We may have to leave our plans in a fluid state until we see how the work of the committee is shaping up. It seems to me we shall do well at tomorrow morning's session to dispose of the report of the steering committee. I do not think we shall be in a position to call witnesses, but that is a matter which can be left to the steering committee at this meeting you propose calling this evening.

The CHAIRMAN: I believe Mr. Fleming's suggestion, for the time being, is a good one. If we are to fix an hour for tomorrow's meeting, would ten o'clock be a suitable hour? You said ten-thirty, did you not, Mr. MacInnis?

Mr. CLEAVER: I will second the motion for ten-thirty tomorrow.

The CHAIRMAN: Those in favour of meeting tomorrow morning at ten-thirty subject to correction?

Mr. IRVINE: You mean you might alter that hour at tonight's meeting?

Mr. FLEMING: I think you ought to set it at ten-thirty for tomorrow's meeting.

The CHAIRMAN: The meeting is adjourned, then, until ten-thirty tomorrow morning. The subcommittee will meet immediately.

Mr. CLEAVER: Before we adjourn, may I suggest that if there are any members here who are not on the steering committee who have suggestions to make to the steering committee, I am sure it will be appreciated if those suggestions are made now.

The CHAIRMAN: Yes, I agree. In any event, no matter what the steering committee does, this committee is the master of its own destiny and can do whatever it wishes.

I would suggest that the steering committee meet in my office immediately after we adjourn.

The committee adjourned at 8.30 p.m. to meet again at 10.30 a.m. Wednesday, February 11, 1948.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, February 11, 1948.

The Special Committee on Prices met this day at 10.30 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Order, gentlemen. The clerk of the committee is giving consideration to the abnormality of the temperature in this room in the hope of providing warmer quarters for us; but until that matter has been decided upon I assume that we had better go on with our work.

Last night the steering committee, which was appointed by the main committee, met with me and we discussed some preliminaries for further suggestions to the full committee. I think the best thing for me to do is to read the report of the steering committee.

Your steering committee, in its first report, begs leave to recommend as follows:—

1. That the committee proceed this day by hearing Mr. H. Marshall, Dominion Statistician, to be followed by Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board, and Mr. F. A. McGregor, Commissioner, Combines Investigation Commission.
2. That Mr. H. A. Dyde, K.C., of Edmonton, Alberta, be immediately engaged as one of the counsel to the committee.
3. That immediate steps be taken to secure the services of Mr. Walter Gordon, chartered accountant, of Toronto.
4. That all witnesses appearing before the committee be sworn.
5. That all requests from individuals and organizations to appear before the committee be, in the first instance, referred to the steering committee.
6. That, for the present, the committee hold its sittings at 10.30 a.m. and 4.00 p.m.

All of which is respectfully submitted.

Mr. MACINNIS: I suggest, Mr. Chairman, that we take the items seriatim.

The CHAIRMAN: Very well. The first item is that we proceed to call Mr. H. Marshall, Dominion Statistician, who will be followed by Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board, and then by Mr. F. A. McGregor, Commissioner, Combines Investigation Commission.

Mr. FLEMING: I think there is a little ambiguity there. I do not think it was the thought or opinion that we would hear all those witnesses today.

The CHAIRMAN: Mr. Fleming points out that we are not likely to hear all these witnesses today, but we will take them in that order and hear them whenever we can. I think there was a further point which we overlooked which was that you yourself raised the question that the order of hearing Mr. Taylor and Mr. McGregor would depend as far as you are concerned upon the outcome of Mr. Taylor's evidence.

Mr. FLEMING: Yes. The point was this: I fancy that from the officials of the Wartime Prices and Trade Board we would want a great deal of detailed information. Now, Mr. Taylor may have a good deal of that himself and we can go as far as we can with Mr. Taylor, but beyond that it may be necessary to call other officials of the Wartime Prices and Trade Board for more detailed information. The order in which they are to be called, according to the report, vis-a-vis Mr. McGregor will have to be decided when the time comes, according to the convenience of the committee and of the witnesses.

Agreed.

The CHAIRMAN: 2. That Mr. H. A. Dyde, K.C., of Edmonton, Alberta, be immediately engaged as one of counsel to the committee. Agreed?

Agreed.

3. That immediate steps be taken to secure the services of Mr. Walter Gordon, chartered accountant, of Toronto. Agreed?

Agreed.

4. That all witnesses appearing before the committee be sworn. Agreed?

Agreed.

5. That all requests from individuals and organizations to appear before the committee be, in the first instance, referred to the steering committee. Agreed?

Agreed.

6. That, for the present, the committee hold its sittings at 10.30 a.m. and 4.00 p.m. Agreed?

Agreed.

Mr. IRVINE: May I suggest that we could meet at a different hour tomorrow than 10.30 just for once to permit members to go to Rockcliffe to see the jet planes?

Mr. LESAGE: If we start making exceptions for various reasons we will lose a lot of time and I believe that four and a half hours a day are not going to be enough for the work we have to do in this committee. An ordinary day's work in court is between four and a half and five hours and that is a short day in court. Our committee is doing that kind of work, and unless we sit four and a half or five hours a day I do not see how we can manage with the work before us.

Mr. IRVINE: Why not have evening sessions as well?

The CHAIRMAN: The subcommittee dealt with the question of audibility in this room. Now, could you gentlemen at the back hear Mr. Irvine when he was speaking?

Mr. LESAGE: When Mr. Irvine was speaking with his face turned to the Chair I was not able to hear him.

The CHAIRMAN: We are only sixteen members on this committee and we can get closer together. I suggest that we rearrange the tables so as to bring the members closer to the front.

Mr. JOHNSTON: I would point out that some of us have telephoned Mr. Claxton agreeing to go and if he makes arrangements for our accommodation there and we do not show up he might think we were breaking faith.

The CHAIRMAN: The matter is entirely under the control of the committee but it seems to me there are many things which might arise and if we start to make exceptions now we will find it difficult to avoid them later. I would respectfully suggest that we leave it to the discretion of the committee and if any member feels he must be absent it will be his decision.

Mr. WINTERS: What has been the decision of the steering committee as to the length of sittings?

The CHAIRMAN: We decided for the time being that there should be two sittings of the committee each day, one at 10.30 a.m. and one at 4 p.m.

Mr. McCUBBIN: Is that for six days a week?

The CHAIRMAN: Now just a minute. Every member of the steering committee felt that there was an urgency about our business and that we wanted to proceed as quickly as possible. After much discussion it was decided that for the time being we would meet at those hours.

Mr. WINTERS: The morning session will be from 10.30 a.m. until 1 o'clock p.m.?

The CHAIRMAN: It was not decided but that is what it will be as far as the chair is concerned.

Mr. McCUBBIN: Do you not think that is too long?

Mr. LESAGE: Well it is a very short day.

Mr. McCUBBIN: Some of us have other things to do.

The CHAIRMAN: Let us say that many of us have things to do in addition to our work here. I do not think we should draw a hard and fast rule, but we will do our best to recognize the problems which we have ahead and which will take a great deal of our time. We could possibly have a short adjournment but I do not think that a sitting from 10.30 until 1 o'clock is too long to expect the members of the committee to sit. We sit in the House from 3 until 6.

Mr. McCUBBIN: Yes, but we can drop out of there whereas we do not like to drop out of here.

The CHAIRMAN: Well, may we proceed in any event? Is there anything else in connection with our preliminary business? I suggest then that we call the first witness, the Dominion Statistician, Mr. H. Marshall. The clerk will kindly swear Mr. Marshall as the first witness.

Mr. H. Marshall, Dominion Statistician, sworn:

By the Chairman:

Q. Mr. Marshall, you are the Dominion Statistician?—A. Yes, sir.

Q. And you have been the Dominion Statistician for how long?—A. Two years.

Mr. FLEMING: May I suggest, Mr. Chairman, that Mr. Marshall speak up.

The CHAIRMAN: Yes, Mr. Marshall, this room is acoustically very difficult and every member wants to hear so would you just speak as loud as you can?

Mr. MAYBANK: Just before Mr. Marshall proceeds further I would like to get some understanding about the questioning. Mr. Marshall has a very long brief.

The CHAIRMAN: It is not a brief.

Mr. MAYBANK: Is it not to be read?

Mr. IRVINE: May I interrupt Mr. Maybank to ask what ground the witness is to cover and the object of his statement?

The CHAIRMAN: I suggest we hear the witness on that.

Mr. MAYBANK: If I may continue what I was saying, I would like to get some understanding about when it may be permissible to ask questions; whether we wait until the evidence of the witness is all in or whether there will be certain times for breaking in.

The CHAIRMAN: I think there was some discussion last night about that and while no hard and fast rule was arrived at we are depending upon the good judgment of the members of the committee. I understand Mr. Marshall is going to give us a statement. I suggest that he be allowed to proceed with the statement without interrogation until afterwards unless some member feels that there is something upon which he wishes to ask a question. In that case the member would be at perfect liberty to ask questions but I do suggest that Mr. Marshall be allowed to continue without questioning. When we do come to a question period I hope that questioning will be done in as orderly a fashion as possible and there again I think we may depend upon the good sense of each member.

Mr. CLEAVER: Are there copies of the statement available for the press?

The CHAIRMAN: There are only twenty copies available at the moment but there will be others made available later. I have this suggestion to make to those who will be coming before us. The members of the press will want to co-operate with the committee and we in turn want to co-operate with the press and I do suggest to those appearing before the committee that they might find it possible when dealing with statements to have enough copies on hand to meet the convenience of the press.

Mr. MACINNIS: Mr. Irvine asked the question as to the purpose of Mr. Marshall's appearance here as the first witness. We went over that at the meeting of the steering committee last night and I think it would be in order for you to point out in a very few words why he was chosen. There was a definite reason for asking Mr. Marshall here as the first witness.

The CHAIRMAN: It was thought that we should ask the Dominion Statistician to give us some statistics showing increases and decreases in price levels so that the committee members would have a background upon which to form judgment as to the kind of evidence they should seek to elicit after we have had the preliminary statements. Mr. Marshall's statement is to form a guide as to what the appropriate steps should be and what subjects should be investigated by this committee.

The WITNESS: Mr. Chairman and gentlemen: In this brief I shall present a general description of the materials available in the Dominion Bureau of Statistics which this committee may find useful as background data for its immediate needs. We have, of course, a great deal more information than I can discuss today, but as the needs of the committee become defined during the course of its activities, we shall be at its service.

In this period following World War II the world is experiencing the phenomenon of rapidly rising prices as it did after World War I. No nation can remain unaffected by this situation. However, our price levels in Canada are lower than in almost all other countries for which figures are available.

The Monthly Bulletin of Statistics issued by the Statistical Office of the United Nations includes the wholesale and cost-of-living indexes of many countries on the base 1937=100. There are cost-of-living series for 56 countries in the December 1947 issue. For 52 countries the index was higher than Canada's. Wholesale price indexes are shown for 37 countries. Only three indexes are lower than Canada's.

In Canada on the pre-war base (1935-1939=100) the cost-of-living index had risen to only 120.1 by December 1945. In January 1948 it had risen to 148.3. Thus while in the whole of the war period and the three months immediately following it only rose 20 points, during the last two years it has risen 28 points. Three of the groups which compose the index are responsible for this recent increase. While the total index rose to 148.3 the food index is 182.2, the clothing index 161.2 and the home-furnishing group 158.4. The principal influences responsible for the rise can be isolated more definitely however. Of the 28.2 point rise since December 1945, 14.9 was due to the rise in the food group. Of the 14.9 rise in this group dairy products (including butter, milk, and cheese) accounted for 7.4 points. Cereals, mainly bread, 1.6 points, meats and fish 3.6 points, and vegetables 1.2 points.

The clothing group accounted for 4.6 points. The home-furnishing and services group accounted for 3.5 points and in this group furniture was responsible for a rise of 1.7 points.

Thus, out of a total rise of 28.2 points, foods, clothing and home furnishings and services accounted for 23.0 points. Rent, fuel and light and miscellaneous items were responsible for only 5.2 points of the rise.

The wholesale price index on the base 1926 = 100 rose from 72·3 in August 1939 to 103·9 in December 1945, an increase of 31·6 points. In the next two years it rose from 103·9 to 143·5, an increase of 39·6. In this index the vegetable products and animal products groups account for 17·3 points of the 39·6 point rise. The wood and wood products group accounts for 8·6 points and the fibres and textiles group for 5 points. Thus these three groups are responsible for 30·9 of the 39·6 points.

These figures I have given you are the outward sign and symbol of what has been happening in the prices field. They indicate the groups of commodities which are largely responsible for the rise since December 1945. They do not, of course, analyse the underlying causes which are ultimately responsible. These include higher wage costs, scarcity of certain commodities in relation to demand, high national income and therefore high purchasing power, the influence of external prices, particularly those of the United States, profit margins, and so on. In the Bureau of Statistics, of course, we only measure statistically the final results of the combination of these and other causes.

The statistical data on which the foregoing statements are based is contained in a bulletin which has been distributed. Perhaps at this point it might be helpful if I gave a brief description of the various statistical series which it contains.

THE COST-OF-LIVING INDEX

The Dominion Bureau of Statistics index of the cost of living is a measurement of price changes only. To ensure this single measurement no allowance must be made for a change upward or downward in the standard of living. It was not designed to measure changes resulting from shifts to higher or lower levels of living, and was not constructed to take account of the effect of buying more goods or better goods. It measures changes in the cost of a family budget which includes the same amounts of the same commodities and services for considerable periods of time; the budget is revised when "long-run" changes in consumption set up a new consumption pattern. That this cost-of-living index is adequate to do the job it was designed to do, the bureau is fully confident. Criticisms which have been aimed at it are mainly due to a misunderstanding of the nature and purpose of the index.

The index budget was calculated from annual purchases reported in 1938 by a group of 1,439 typical wage-earner families located in urban centres across the dominion. The survey families average 4·6 persons and the majority had two or three children. Family earnings in many cases were supplemented by minor sources of income; total incomes for these families were heavily concentrated between \$1,200 and \$1,600. They ranged, however, from as low as \$600 to about \$2,800 per annum. There were approximately two tenant families to every one home-owning family, and about one family in three operated a motor car.

Data from the survey provided a system of weights which are essential in index-number making. What the maker of a cost-of-living index tries to do is to establish a basket of goods which do not change in number, quantity or quality, price it from month to month, and express the latest cost as a percentage of the cost in the base period.

This basket, however, does not include all the commodities and services which people buy. There are 150 items in the cost-of-living budget, divided into six groups: food, clothing, shelter, etc. Each of these groups consists of items which represent a much larger number of items. It is a well established statistical principle that a small number of representative items will measure accurately the changes in price levels of a much larger number in similar categories. For example, prices of a few representative cuts of beef will record

accurately the change in price of the whole carcass, similarly, prices for a few items of rayon, wool, or cotton apparel will measure changes for similar garments of these materials.

To achieve an over-all measure of price changes a double system of weights is used. First, the price of every item in the index is multiplied by the quantity which the budget survey showed was actually consumed by the average urban wage-earner family. For example, the weight for bread is 12.1 pounds weekly, bacon .7 pounds and milk 10.5 quarts. Then to allow for the fact that the basket does not contain all commodities used, the index for each group of representative items is multiplied by a figure which represents the proportion of total expenditure for each group as shown in the survey. For example, the index for the food group is multiplied by 31, clothing by 12, etc. Thus each of the six groups exerts its correct influence on the general index.

Several bulletins have been issued by the bureau which give a fuller account of the methods used. A file of these is available as an exhibit.

The cost-of-living index is derived from 65,000 individual price quotations obtained each month from all over Canada. A field staff of prices representatives is maintained to check prices and also the quality of the merchandise which is priced in representative distributing centres across the dominion.

Cost-of-living trends are shown in percentage figures rather than dollar and cent totals for several reasons.

1. Because people tend to consider dollar figures to represent either (1) a necessary minimum living allowance, or (2) an amount necessary to cover a budget based on estimates of scientific nutrition requirements and other living needs. The index budget is neither of these; it represents purchases actually reported by representative wage-earner families. Moreover, a cost-of-living index showing amounts would have to take account of different standards. A series of different index numbers would be required to represent the various income sectors of the population. The experience of the bureau indicates that if such a series of cost-of-living indexes was available the over-all price trends in each would be closely similar to that shown by our cost-of-living index for urban wage-earner families.

WHOLESALE PRICE INDEX

The bureau's wholesale price index includes approximately 500 commodities. Like the cost-of-living index it is a representative list and has the double system of weighting by each item and by groups. The weights are derived from the quantities marketed in the base year. It is classified into eight main groups and many subgroups.

INDEX OF THE PRICE OF COMMODITIES AND SERVICES USED BY FARMERS

The third index series relates to the prices of commodities and services used by farmers, including equipment and materials, tax and interest rates, farm wage rates and farm family living costs. A full description is available in a bulletin included in the exhibits.

INDEX OF PRICES OF AGRICULTURAL PRODUCTS ON THE FARM

The fourth series is based on prices of agricultural products at the farm. It is designed to measure the monthly percentage change in the over-all level of prices received by farmers at the farm for their products. It differs from the wholesale price index numbers of Canadian farm products in that it measures the relative change in the prices which are actually received by the farmer for his

products at the farm. Thus the storage, transportation, processing and handling charges which are not received by farmers are not included. On the other hand, subsidies, bonuses and premiums which can be attributed to specific farm products are all included. Furthermore, the prices used in the farm price index are average prices covering all grades of farm produce marketed, while the prices used in the wholesale price index numbers of Canadian farm products are prices covering only certain specific grades of farm products such as Manitoba No. 1 northern wheat, B-1 dressed hogs, etc. It includes 50 farm products which contribute approximately 90 per cent of the total cash income received by farmers from the sale of farm products.

The bulletin which has been adopted also contains information on national income, labour income, index numbers of hourly wage rates, average weekly earnings, and other series.

Perhaps, Mr. Chairman, I might spend a moment explaining this bulletin.

The CHAIRMAN: Very well.

Mr. FLEMING: Mr. Chairman, just one moment; that statement which Mr. Marshall has been reading is a very highly condensed statement. I appreciate that with his limited amount of time it was not possible for him to prepare copies for the convenience of all members of the committee, but if anything could be done to make copies available in mimeographed form before our meeting at four o'clock this afternoon, I think it would expedite the questioning as I think very few of us have been able to take any copious notes, and we would have a much more intelligent examination.

The CHAIRMAN: We will arrange to have copies mimeographed and made available within about a half an hour.

The WITNESS: This statistical memorandum is divided into sections. There is a table of contents at the beginning. The first section is composed of a couple of tables which indicate the way in which the index number of the cost of living and the index number of wholesale prices is computed.

If you turn to page two, you will see that there are a certain number of commodities there. The base price is shown, and the price in January, 1948. The base is divided into the '48 price to give you the relative price. But, it would not be adequate to take simply the average of all these relative prices. Various commodities are of varying importance in their influence on the index price; therefore, they had to be weighted; and in the second to the last column you will see the weight that we use. Then, page three—

By Mr. Fleming:

Q. Pardon me, that third column is the percentage only?—A. That is the percentage only. And you will see on page three that the total weights are added together, and to get this "three" you divide them into the total of the products, the last column; that gives you the index.

By Mr. Beaudry:

Q. What is the meaning of the last column headed "products"?—A. That is the product, the relative price, at the end.

Q. Oh, thank you; yes.

The WITNESS: Then the same thing, of course, is in your table two; on page four is the same principle; so I need not spend any more time on that.

In section II are the tables containing historical data. Table 3 shows the wholesale price index by groups, on the basis 1926=100. The prices are carried back to 1913 and forward to 1947.

The cost-of-living index is shown. In table IV, on the 1935-39 basis, and is carried back to 1913.

The CHAIRMAN: Mr. Marshall, I think you are going a little too fast.

The WITNESS: I was just running over this now.

The CHAIRMAN: I know.

The WITNESS: On page seven you will find the commencement of the historical tables for the index number of wholesale prices.

The CHAIRMAN: That is table III?

The WITNESS: Table III on page seven.

The CHAIRMAN: Yes.

The WITNESS: And then on page eleven you will find a similar table relating to cost of living. It also goes back to 1913.

On page fourteen you will find some comparative figures of wholesale price indexes, and the retail price indexes in other countries. This of course is not a complete list, but it does give you some examples.

The CHAIRMAN: It is not a complete list of all countries?

The WITNESS: No. We have in the statistical bulletin issued by the statistical office of the League of Nations, a series of tables covering about fifty-six countries; that is with respect to the cost-of-living index; and a smaller number of wholesale indices. Do you wish to have that?

The CHAIRMAN: I think we ought to have that. I have seen it. It is a United Nations document. Perhaps you could get copies for the use of the committee.

By Mr. Cleaver:

Q. The figures given for the years 1935-39 indicate the average for those years?—A. That is correct. They represent the price average; that is, the average for those years is taken as one hundred.

Q. The average?—A. Yes.

By Mr. Fleming:

Q. They have been adjusted to meet the Canadian base?—A. The statistical review, you mean?

Q. In all these figures of other countries you have made an adjustment to make them fit the Canadian base period.

By Mr. Lesage:

Q. Is the method of calculating the base in other countries the same as in Canada or are there great differences or slight differences?—A. In the statistical bulletin issued by the statistical office of the United Nations they put all index numbers on a 1937 base. The way the index numbers are computed makes that possible. You can take the index number say of the 1935-1939 base and if you want to transfer it to the 1940 base you can make the 1940 index equal to 100 and then divide that into all the others to make the series backward and forward. Some countries do not have the same base as other countries. Therefore the statistical office recomputed them, and put them all on a 1937 base.

By Mr. Johnston:

Q. Do all other countries use the same basic products as you use, the 150 items?—A. No. That would depend on the nature of the economy of the country. For example, in some countries which are warmer they would not need so much woollen clothing. They would have to base their commodities and their weights on a budget survey of the actual consumption in the country to which the index refers.

By Mr. Fleming:

Q. Do I understand what you have done is simply take the index of these other countries as they make it up?—A. Yes.

Q. You can make a percentage adjustment but you cannot make an adjustment in terms of the content of the items that go into the cost of living index?—A. That is right.

By Mr. Maybank:

Q. What would you say about the manner of gathering statistics in other countries compared with your own methods?—A. I think the methodology is pretty much the same, but development of statistical practice varies considerably in different countries.

Q. For example?—A. Well, I would not like to say anything that is reprehensible about any particular country, but I would say in so far as the United States and the United Kingdom and other countries that are shown here their indexes are made on a very good basis. They are highly developed statistically, so that I think these indexes here are very reliable, all of them.

By Mr. Harkness:

Q. Are they on a list of goods fairly comparable to the list you use?—A. Yes, there is a great deal of similarity in these countries. There are some differences, of course, but there is a great deal of similarity.

By Mr. Winters:

Q. The fact remains when they are applied to the same base cost of living the indexes are comparable for different countries?—A. That is right. That is what it is costing to live in these countries so far as the index can measure.

In this section also there is a chart. Page 17 includes table showing recent price changes. We hope that this table will be very useful for you.

By Mr. Maybank:

Q. Page 17?—A. Page 17. It starts with December, 1945, and then it shows by months the changes that have taken place in the index number for a considerable number of important commodities. That goes on for several pages.

By the Chairman:

Q. Have you anything to say about the chart between pages 15 and 16?—A. I might say that one can see from the chart that in so far as wholesale prices are concerned we are still somewhat below the level of the United States. In the cost of living we are also below but our index is moving up pretty rapidly.

By Mr. Fleming:

Q. I do not want to prolong the questioning at this point but just for understanding I take it the United States index is measured in terms of United States dollars and the Canadian index in terms of Canadian dollars?—A. That is correct.

By Mr. MacInnis:

Q. On page 17 in the last column on the right there are certain places where the index takes quite a jump from one month to the next. For instance, from March, 1946 to April, 1946 there was a jump of about 10 per cent. Was there anything particular that occurred to cause that increase in prices?—A. I am sorry that I will not be able to answer questions like that. In the Bureau it takes us all our time to measure the changes that actually take place. If we were

to try to explain them we would have to have a very much larger staff. In the second place we would be duplicating work which is being done in other departments, so that we are not in a position to give explanations as to why these indexes have moved up.

Q. The explanation is what we want. I think we will have to get it somewhere else.

The CHAIRMAN: Yes.

By Mr. Fleming:

Q. To what department are you referring?—A. I think the Wartime Prices and Trade Board has a lot of information on that. There are other departments where a lot is known about specific commodities.

Q. It is just for the guidance of the committee. I was wondering if there was anything you had in mind apart from the Wartime Prices and Trade Board as a source of information.—A. We have, of course, in the Bureau here and there a certain amount of information which may be of service to the committee, but I do not think we could undertake the task of trying to explain a lot of these things. It should be done through other departments. We will help all we can.

The CHAIRMAN: We will note that, Mr. MacInnis, and I am sure you will note it yourself. We will get that information.

The WITNESS: In that same section 4 I might draw your attention to page 30.

By the Chairman:

Q. What do you mean by section 4 . . . oh, of contents.—A. Table 7 (a) gives you in more detail. . . .

By Mr. McCubbin:

Q. Where are we?—A. Page 30.

Q. We are jumping fast.

Mr. FLEMING: The rest of it is for home work.

By Mr. Merritt:

Q. I should like to ask one question. I noticed in the whole of section 4 you take a base of 100 at December, 1945. These figures will not be comparable with your other charts?—A. No, it is a special table that was compiled so you would be able to see the rise that has taken place since December, 1945.

Q. Section 4 has to be considered entirely separately and not referred to the other sections in this memorandum?—A. Yes. It is on a different base. Page 30 gives you in more detail than I mentioned in my introductory brief the details of the influence of the various sub-groups in the cost of living index on the total rise since December, 1945. You see the total rise is 28.2 points, that foods alone accounted for 14.9 points, and so on. The details are all here.

By Mr. McCubbin:

Q. I want to ask a question. I do not want to throw a discordant note in here, but these figures, decimals and so on, do not mean much to me. What I want is prices. How are we going to get these things down into prices?—A. You will find in the tables on pages 2 and 4 you have some prices.

By the Chairman:

Q. Wholesale prices?—A. Wholesale prices on page 2, and then on the next page—

By Mr. Fleming:

Q. Page 31, too.—A. 31 also.

Mr. McCUBBIN: That is all right but I want producer prices and retail prices.

Mr. MAYBANK: You have the retail prices on page 4.

The WITNESS: On page 31 there are prices.

Mr. McCUBBIN: That is all right. Page 31 is O.K.

The WITNESS: It would have taken a very large memorandum if we had supplied you with tables of prices of every commodity by months, but when we know what you need we can supply tables of prices as well. We will be very glad to do that.

Mr. McCUBBIN: That is all right.

Mr. WINTERS: On table 6—

The CHAIRMAN: Page?

Mr. WINTERS: Pages 17, 18, 19 in particular. I notice that meat products are broken down by various types of cuts and various species of animals, but fish is lumped. I wonder if Mr. Marshall would say something about fish and how he arrives at that grouping.

The WITNESS: Which page is that?

By Mr. Winters:

Q. Fish, on page 19— —A. Do you want to know the commodities?

Mr. FLEMING: He wants to know where the fish are.

Mr. WINTERS: Fish are lumped. There are a great many varieties of fish. I wonder if you have anything to say about it. You break meats down but not fish.

The CHAIRMAN: You are not speaking of Atlantic or Pacific fish; you are speaking of fish.

Mr. WINTERS: Fish.

The WITNESS: In that group we have a number of items. Dry shore cod fish; cod, fresh steak, headless; mackerel, salt spring; kippered herring, etc.

Mr. MAYBANK: I am thinking of the record. Go slowly.

The CHAIRMAN: Go slowly.

The WITNESS: We have kippered herring; smoked finnan haddie; sole, fresh; smoked fillets, cod; haddock, fresh; fillets of haddock, fresh, skinless; whitefish, frozen; halibut, No. 1; four varieties of canned salmon and lobsters canned. That is the group.

By Mr. Winters:

Q. There is a wide variety there, and there must be a great number of different prices the same as applies to meat products. I wonder why it is you lump fish under one general heading and you do not do the same for meats?

Mr. MAYBANK: For which?

Mr. WINTERS: Meats.

The WITNESS: We can break those down for you.

By Mr. Winters:

Q. I wonder why you do that in this table and do not do it for meat products?—A. There are certain cases where we have general groups as a contrast. You see the rise in fish prices is 35 per cent on the basis of December, 1945.

Q. Would it be because the weight applied to fish in the over-all index is so small that it does not matter too much?—A. I think the reason why they included all fish together was that the rises in them were probably fairly similar, but perhaps the best way would be for me to get some detail on that.

Q. I will have more to say on that later on but we will leave it now as far as I am concerned.

By Mr. Maybank:

Q. Is it true that the weight of fish in the over-all picture is small, as Mr. Winters suggests?—A. Yes, it is relatively small compared to some of the other items.

Q. We do not eat very much fish, in other words?—A. We do not eat as much as meat.

Mr. WINTERS: We do not eat as much as we should either.

By Mr. Maybank:

Q. Relatively we do not eat very much fish; is that right?—A. I can give you the exact weights we use for fish. That is the reason, of course. It is not nearly as important an item as some of the others that are in this animal products group.

The CHAIRMAN: I want to take advantage of this lull to point out that this committee is showing very great powers of endurance. There was a cabinet meeting scheduled for 11 o'clock but they have called the meeting off because there is no heat in the east block. Some of us had to wear coats and some of us even mitts, and I want to commend the members of the committee for meeting the frigidities of this room.

Mr. MAYBANK: You will except Mr. Irvine from that commendation.

The CHAIRMAN: He had mitts on but he took them off a moment ago. Mr. Arsenault tells me for your comfort that the heat is about to flow through the pipes or whatever there is here that supplies heat.

The WITNESS: Perhaps I could help out a little further on that fish item in the animal products group.

The CHAIRMAN: Page 26.

The WITNESS: On page 26. The total rise from December, 1945 to December, 1947, was 39.6. In fact, the fishery products only showed a rise of .6 points, whereas the whole of the animal products group had a rise of 6.4.

If you wish further information on that fish item—

Mr. PINARD: That does not appear on page 26?

Mr. LESAGE: It is the first item.

The WITNESS: Section 5, on page 33, deals with—

Mr. BEAUDRY: I am sorry, but if I may interrupt you, I hardly see how that is the answer for which we are looking since, although fish only increased .6, fresh meats have only increased .5, according to that table.

The WITNESS: Yes, that is on the basis of 1926; that is from December, 1945.

Mr. WINTERS: It does not agree with table 6.

The WITNESS: In the wholesale prices index number you have to take into consideration the fact that we have here—you have to make allowance for meat which goes into canned goods, for example. Oh, that is canned vegetables.

Mr. CLEAVER: I would suggest the witness should have an opportunity of producing a special memorandum on fish, breaking down that item into its component parts.

Mr. BEAUDRY: Perhaps we are making it difficult. We have had no opportunity of reading the statement and we are questioning the witness a bit haphazardly. Actually, we could save time if we were given an opportunity of looking at this statement before we continue the questioning of Mr. Marshall beyond his normal explanations. We are all very much interested in it but we have had no opportunity of seeing this memorandum.

Mr. FLEMING: We are all suffering from mental indigestion.

The WITNESS: There is a technical point involved in the weighting of this animal products group. I have Mr. Greenway, my expert on the construction of this index, here. He could tell you about it.

Mr. WINTERS: If you would do that later, it would help me in referring to page 30. In the sub-group under foods, you have meat and fish lumped and the total increase is 3.6 points. Could you tell me at some later time how much is attributable to meats and how much is attributable to fish?

The WITNESS: I could tell you that right now. Fish pulls this index down. Fish has not gone up as much as meat. If you left fish out, the rise in the index would be 3.9.

By Mr. Johnston:

Q. Is that true of page 26? Your fish products increased to 0.6. Your only other item which increased an equal amount was boots and shoes and the only item which was higher was meats, 0.7?—A. I will try to get some better explanation of the whole picture.

Q. That would not reflect the cost to the consumer?—A. No, this other one on page 30 is the retail group.

The CHAIRMAN: Then, you are going to break this weighting table down?

The WITNESS: Yes, I will.

If you wish to proceed to the next section, we have an index number there on farm costs and receipts.

By Mr. Harkness:

Q. What page is this?—A. 33. We are having a bulletin prepared which will explain exactly how that index number is made up. It will be circulated. It has not been mimeographed yet, although we have it ready.

In the same section on page 34 there is the other type of index number on farm prices. This relates to prices at the farm rather than at the wholesale level.

By Mr. Johnston:

Q. On page 33, I understood you to say a moment ago you did not have material which would indicate why prices rose; that your department was not concerned with the reason for this rise. The only thing with which you were concerned was the fact that they did rise. On page 33, you go into detail concerning the cost of fertilizer, seed, gasoline, oil and other materials?—A. Yes, we have the prices at various levels of various groups. There is a lot of information to be gained from the perusal of these index numbers at various levels.

Q. Then, you do have material which indicates the cause?—A. In so far as you can explain the cause by index numbers at these various levels, yes.

By Mr. Fleming:

Q. I do not see any trucks or vehicles on page 33; I do not see any vehicles in the equipment and materials for the farmer. There are a lot of implements, but no vehicles?

By Mr. Harkness:

Q. Would trucks be included in that?—A. No, trucks are not in it.

Q. I was thinking that the most expensive item a farmer has to buy at the present time is a truck, outside of a combine. Combines and trucks are the two biggest items and perhaps they raise his costs more than anything else.

Mr. McCUBBIN: That might refer to you in the west but it does not refer to us in the east; we do not use combines or trucks.

Mr. JOHNSTON: Your farms are not large enough to warrant that mechanization in the east.

Mr. HARKNESS: In any event, I would think trucks should be included in weighting your farm costs.

Mr. FLEMING: And tractors, too.

The WITNESS: There are tractors, wagons and binders. There is a fairly comprehensive list of farm implements in this.

By Mr. McCubbin:

Q. Name them off, Mr. Marshall.—A. These are the items that are included: a walking plow, a disc drill, a hay rake, a binder, a mower, a drag harrow, a disc harrow, a gang plow, a wagon and a tractor.

Q. No tractor plow, it is all walking equipment?—A. There is a gang plow.

By Mr. Maybank:

Q. You said, in reference to meats, that you could take several representative cuts and when you put them in you had established something which was representative and that other prices, for example, the prices of the carcasses if they had been put in, would give you the same result?—A. Yes.

Q. Is it a fact that you have proceeded upon the basis that, by putting in those items which you have mentioned you have a satisfactory index for other prices which have been left out?—A. That was the purpose of this index. You certainly cannot put all the commodities in. I am sure that when these commodities were being selected for this particular group we did take the matter up with some of the implement companies and, as a result of our discussions with them—

By Mr. Harkness:

Q. If I might interrupt, when was that selection of these commodities made?—A. Just before the war.

Q. That is not a very good guide for the present time, then?

By Mr. Maybank:

Q. Let us get the statement which Mr. Marshall was making on the record and then see what we do with it after that. You were saying you had taken these, evidently because they were representative items, and whatever measurement was obtained from these would be found to be the same measurement as would be the case had you included many others; am I right in putting it that way?—A. Yes, that is the basic principle.

Q. Then, you say you started this and you set this up sometime before the war?—A. Yes.

Q. It would appear from the few comments that have been made there have been very considerable changes made between now and then, particularly with reference to implements and machinery generally?—A. Quite.

Q. Have you any means of determining whether or not what you did at that time, before the war, would be the same today if you were aiming at accuracy?—A. We would have the means of checking this matter up with the firms again.

Q. How long would it take to find out whether the position of 1939, if that is when it was, is valid as of 1948?—A. We should be able to do that in a few days, I should think.

Q. Take the case of some of the implements which were mentioned—I think Mr. McCubbin mentioned that a walking plow was in but there was no tractor plow?—A. No.

Q. Is it your contention that with the implements which you have in you have already a satisfactory measurement as related also to the tractor plow?—A. I think the point is this; you cannot change the base of an index every year. You have to build up a base. We got the information prior to the war. You do not let an index number run forever. You have to change your base every so often.

As a matter of fact, at the present time, we are considering making another budgetary survey in order that we may start our cost of living index off on a new basis.

Q. Does changing the base mean changing the materials from which you work?—A. Yes.

Q. Changing your selection, does it mean that?—A. Yes.

By Mr. Irvine:

Q. There may be new machinery, for instance, introduced into agriculture which was not in the previous basis which will alter the relationship?—A. Yes, you cannot change the base every year. You select a list of commodities which are proper for the base year then you have to carry it through for a number of years. We are measuring price change. Then, when the time comes that the consumer pattern has changed, we have to make another investigation and establish a new base.

By Mr. Maybank:

Q. While that is a satisfactory picture you have given, perhaps, with reference to the D.B.S. generally, this committee wants to feel sure that the statistics it is using are now valid for the particular problem with which the committee is dealing. It would be highly desirable for us to feel sure that your statement that you can determine the whole trend by getting part of the trend, or the trend in a section, is still correct today?—A. We would be very glad to check up on that.

Q. If we are operating on something which is stale and by reason of being stale is no longer useful then we have not got any measuring tools in front of us at all for this job. We would need to be very sure that such is not the case?—A. We would be very glad to check up. I think, however, the addition of one or two more items in an index of this kind will result in very little difference.

Q. That may be so but it is an absolute necessity for this committee to be sure of the truth of the statement which you have just this moment made.—A. I would be very glad to check up.

Mr. HARKNESS: I think the main point is that in the last ten years a revolution has taken place in farming and in farming methods. During that period farming has become mechanized and horse power is not now used. As a result there is a very great difference in the cost of operation and, therefore, I think a different list of implements would be required to show what farming costs are now.

The WITNESS: We would be very glad to check up.

By Mr. Fleming:

Q. I understand Mr. Marshall to say that the bureau is considering revising the basis of the cost of living index.—A. Yes that also is a well-established principle in index number making. You do not let it go on indefinitely.

Q. I understand the basis for the present cost of living index was established in 1938?—A. Yes, sir.

Q. Ten years ago?—A. Yes.

Q. There has been quite a change in consumers' habits and in the scale of living in that ten year period doubtless associated with the prosperity enjoyed in wartime.—A. Quite.

Q. I am making this statement for your comment but it surprises me that you are using in 1948 a basis of compiling costs of living index which you have been carrying forward since 1938, a period of ten years.—A. Yes.

Q. In the face of great changes in consumer habits and consumer living.

Mr. BEAUDRY: Not in the commodities?

By Mr. Fleming:

Q. I am making the statement for your comment because I would like to know what you have been doing to equate conditions you are purporting to measure in 1948 with the 1938 yardstick.—A. I can say that the whole statistical principle is that you only measure price changes and not changes in spending. During the war there were certain commodities however that you could not get and Mr. Greenway, who is the director of our prices division, was very well aware of that and from time to time he spliced in alternatives so that any radical change would be reflected in the index number. There is another point that you have raised. I think you are confusing to some extent a change in standards with a change in prices. We cannot measure the two things; we must stick to one. We must measure prices and you must not allow changes of standards to come into the picture or you will have confusion and there will be nothing clear cut. Suppose we did have a new budgetary survey based on the current year, 1947. Well, despite change in consumption standards, all the evidence we have in the bureau indicates that there would be very little difference in the level of price changes. The curve would be practically the same.

Q. This gets down to your weighting. We know the public has been eating more meat and drinking more milk. There has been a steady rise in the per capita consumption of both meat and milk and other things. You are using the same weight for these commodities and for the cost of living index as you did in 1938?—A. We have got to. We are only measuring the price change.

Q. You have not changed the weighting?—A. You can have a considerable change in weighting but very little change in the index.

Q. I still think it ought to be done.

Mr. MAYBANK: In some of these cases I think you should indicate the variation in weight over those years just so one might better evaluate the measuring stick you have been explaining.

The WITNESS: We could not give a picture of that kind without a budgetary survey which is an enormous undertaking. We have to collect budgetary statistics from a sample of the whole population in order that there will be the proper representation. Such a survey takes a lot of organization and costs a lot of money. You cannot make it every year.

By Mr. Fleming:

Q. I can appreciate the limitations of this index. You are putting it forward as a means of measuring prices but you are not suggesting as I understand it, this represents the cost of living to the Canadian household because there are so many other factors such as I have mentioned, increases in the consumption of meat and milk and so on, which would have very great influence on the cost of living to the Canadian family and which would not be indicated in the cost of living index at all.—A. This is an index number measuring changes in the price

of food, fuel, light, clothing, and rent, on a fixed base budget. Suppose in 1939 this was the budget and then people became extremely prosperous during the war period and raised their standard of living very considerably, it would certainly cost them more in dollars. On the other hand suppose we were to work back. Take the standard of living as they have it now and work back to 1939, so far as the price trend is concerned I think it would be very little different from the price index we have now.

Q. In 1938 you established this present method of calculating the cost of living index?—A. Yes.

Q. You established at that time both the commodities included and the weights you would attach to the various classes of goods in the budgets of the Canadian family. You took 1,400 families, drawing them from urban centres, and you took 150 items of goods such as food, clothing and shelter. Now I do not think we are at cross purposes but I just want to be quite clear on this because we are trying to get the basis for measuring the trend in the cost of living. We as a committee are called upon to measure the increase in the cost of living. The point I want to make is that your cost of living index is not in terms of cost of living within the past year and consequently is not a complete reflection of the increased cost of living to Canadian families?—A. Yes, I think it is. It might not hit the bull's eye right dead centre but I think it is close to centre.

MR. CLEAVER: Do I understand this, Mr. Marshall? You believe that a change in consumer tastes from one type of food to another is a change within the same price brackets and therefore it does not influence the index or change the index. Now I am going to ask you a question here. To take an extreme case, suppose a consumer demand for goods is changed from goods at ten cents a pound to goods at fifty cents a pound, would not that of necessity cause a change in your index?—A. You are thinking of an individual?

Q. No, excuse me, I am thinking of a change where a family switches over from less bread to more meat. Now bread per pound is very much cheaper than is meat.—A. Well this index number of course has to do with the average for a whole lot of people.

Q. I am speaking of averages. If, as the result of an increase in the national income, consumer tastes change and have switched from a cheaper type of food to another type of food which is more costly would that not of necessity change your cost of living index?—A. No, it would necessitate a change in weight. Suppose we found when we took a new budgetary survey that the weights are different as they probably will be, my claim is when you relate what we find in the current survey to the back years the trend of overall price will be just about the same.

MR. LESAGE: As a matter of fact it is a change in the standard of living and not in the cost of living.

THE WITNESS: Yes.

MR. IRVINE: I think we are getting a little away from our purpose here. I do not think it is our business to question the accuracy of the mechanics by which they arrived at the price index. I imagine they are pretty fair and the only value the index can be to us here is to prove that a rise has taken place. We are to find the cause. It seems to me we have set out a cat to catch a mouse and then we are beginning to question the sensory organs of the cat to see if it will lead to the mouse.

MR. FLEMING: I want to discuss that because I take direct issue with the position Mr. Irvine has just outlined. Surely the whole basis of our inquiry has got to be the establishment of certain facts. We have a reference here to determine the cause of the recent rise in the cost of living and the first thing we have to find is what the recent rise is, the extent of it, in what commodities

the rise is, and from that basis we may proceed to discern the cause. Now we have had evidence presented to us this morning based on and still recognizing the cost-of-living index prepared by D.B.S. I think it is of first importance that we should be able to relate these differences in the cost-of-living to our terms of reference. We will not content ourselves simply with the cost-of-living as expressed in our terms of reference and the cost-of-living index issued by D.B.S. and outlined in greater particulars in the volume of statistics submitted to us this morning by Mr. Marshall. I think it is highly important that we should get down to the basis of the compilation of that cost-of-living index. I do not want to pre-judge this but I would want some evidence that this is a reflection of the recent rise in the cost-of-living as expressed in our terms of reference.

By Mr. Beaudry:

Q. May I ask a question? I think in keeping with what Mr. Fleming has in mind we must remember that we have a detailed table here of various products which make up the final figure used as the index. Coming back to the fish of which Mr. Winter spoke a moment ago, if every family in Canada changed from sardines to caviar what effect if any would there be on the final outcome? Would there be a difference in the index or a rise in the index for fish?—A. Yes, certainly. If families gave up meat or fish for caviar and made a new consumption pattern and a new standard we would measure that standard. We would have to have a different list of items in the cost-of-living index.

Q. At that particular time, Mr. Marshall, would there be of necessity a decrease or increase in the price of sardines or a decrease or an increase in the price of caviar?—A. That is the only thing that shows.

Mr. MACINNIS: Is caviar the only case among the items entering into the cost-of-living index?

Mr. BEAUDRY: I am using an extreme example. But would such a change of necessity be reflected at once; an increase or a decrease in the price of either commodity?

The WITNESS: We cannot tell what the indications of a series of commodities would be.

Mr. BEAUDRY: What I mean is, if there is any increase or decrease resulting from consumer preference, or you might say demand, would that change be reflected?

The WITNESS: I would just like, Mr. Chairman, to refer to a point which I made before. If we made a completely new budgetary survey and took the consumption pattern which that showed and then we priced the articles in that new budget as of today and carried it back. I say that the trend that would be shown would be practically the same. We have every confidence that there would not be much difference; and that this index of ours does really show within a reasonable margin of error, a small margin of error, what the situation is.

By Mr. Fleming:

Q. I think we can accept the statement that it will show the general trend, but if this whole index is based upon a cross-section analysis of the purchasing habits of fourteen hundred families in 1938 in urban centres on one hundred and fifty items of consumption then I would say, having regard to the very great changes in consumer health in Canada, in its standard of living, that the basis is out of date. Could we have a comment from Mr. Marshall on that?—A. We do not know what the results will be from a new budgetary survey but we are convinced of this that when it is made, and when we price the articles in the new budget back, the trend will be the same.

Q. That is the important point. I am quite prepared to leave it at that. You do not know; there is a policy; you expect it will be the same?—A. Yes.

Q. And in all fairness you are not prepared to say it is, because nobody knows, or will know until that new survey is made.—A. As a matter of fact, we have made tests of different series of weights, and even with different commodities; and we have found that when we did test it that way that we did get very similar results. There is very little difference. The only reason we have for making a new survey, a new budgetary survey, is that it will establish confidence that the index is all right. People say it is out of date. One result of a new budgetary survey would be to establish confidence.

Q. When did you make your last previous adjustment on the cost-of-living index base prior to 1938?—A. Oh, in '26.

Q. Twelve years ago?—A. Yes. There was a kind of rule or understanding among statisticians that the base should be changed at least every ten years.

Q. Do you not think that applies particularly where you have had such rapid changes as we have had during the last ten years?

MR. MAYHEW: Mr. Chairman, I cannot see that we are particularly concerned about the method used in arriving at these figures, or with the habits of people. The witness has made certain statements in here which are facts; that from 1945 to 1948 there has been an increase of 47.9; and, more recently, there has been a further increase of 14.9. In this increase of forty-seven points from 1945 to 1948 there must be certain items in which the increase has been more than 47 per cent, and it is in that class that we are particularly interested: to find out if that rate of increase has been unreasonable, what has happened to it and where it is. That does not necessarily mean that we will have the complete picture, but he has arrived at certain definite figures and he has stated them to us as facts. It seems to me that we would be getting further if we examine those items to find out where these major increases have been; and whether they have been in meat, fish, flours or bread; to see where it is taking place. In that way I think we would be getting nearer to the point at which we want eventually to arrive. As I see it, that is what we want to do. But if we go into habits, and the methods of compiling this material I do not think that we are going to get any place.

MR. FLEMING: Mr. Chairman, I do not think we want to spend a lot of time arguing the scope of the question right now. I think both the questions Mr. Mayhew has indicated and questions which have been asked this morning are entirely within the scope of our inquiry, and certainly they are sincere; but what I have been trying to do is to lay a foundation this morning for future investigation. There is one other point on which I would like to ask Mr. Marshall to comment—

The CHAIRMAN: A little louder, please.

MR. FLEMING: —that is on the basis of the compilation of his cost-of-living index. One very frequently hears complaints that the index does not take into account the deterioration in the quality we will say since 1939 of many items which enter into the cost-of-living index. In other words, are you taking goods that were called by the same names, priced the same, the same brand name, shall I say; which, by reason of people working under fixed price ceilings, soon deteriorated in quality. Boots and shoes are a good example. The boots and shoes which people were buying for their children in 1939, even when they got them under the same trade name, were not of the same quality in 1945; they just could not be compared for quality; yet the housewife looks at her cost-of-living index and sees that you did not show a rise in the cost of boots and shoes comparable with the rest of the index in relation to the actual quality under the brand or name.

The WITNESS: Well, we certainly do give very good attention to deterioration in quality; and, as a matter of fact, not very long after the war started we established in the field, price representatives who made that one of their particu-

lar duties—to assess quality. They were trained for that purpose. When we do get information about a change in quality we consider that equivalent to a rise in price—as a matter of fact that question which you have asked is answered in one of these bulletins here which I am putting in as an exhibit. I am putting in as an exhibit a number of bulletins which deal with the method of compiling the cost-of-living index. I believe you will find that in one of them we do make allowances for depreciation in quality.

The CHAIRMAN: Perhaps you had better have that put in right away.

Mr. FLEMING: How are we going to handle this part of the proceedings?

The CHAIRMAN: You had better identify these by numbers. Is there any generic name you give to these?

The WITNESS: Bulletins on the method of computing the cost of living.

The CHAIRMAN: Here are some bulletins which Mr. Marshall is putting in. This will be filed as an exhibit: Methods of computing the cost-of-living index. We had better attach these together so that they will not be lost.

Mr. PINARD: Are we to understand that these are to be filed as exhibit 2?

The CHAIRMAN: You want the memorandum to go in as an exhibit?

The WITNESS: Yes, sir.

The CHAIRMAN: Then we will put that memorandum in as exhibit 1; these documents will be exhibit 2. Is that all right?

Hon. MEMBERS: Agreed.

EXHIBIT No. 1: Statistical memorandum of prices, price indices and other data.

EXHIBIT No. 2: Bulletins on the method of computing the cost-of-living index.

Mr. MAYBANK: We thought it would be well to settle now about the printing of things such as these exhibits; particularly this exhibit No. 1, as you call it. I think they should be in the record, but if you put them in ordinary *Hansard* it would seem there would be very great delay.

The CHAIRMAN: Yes.

Mr. MAYBANK: I think if this sort of thing were printed as an appendix it would be better.

The CHAIRMAN: You mean, No. 1?

Mr. MAYBANK: I think we need to print No. 1. For example, suppose you did not print No. 1. The printing is going on. It was determined yesterday that we would print a thousand copies; and that does not mean just for the use of the members of this committee. Most of the material in the exhibit in question would be meaningless to any others than the members of this committee unless the other one is printed too. So I think in view of the understanding that it is going on, it would be almost a necessity to print No. 1.

The CHAIRMAN: I think you are right. I think that we would agree that No. 1 should be made a part of the record, but as an appendix.

Mr. FLEMING: Mr. Chairman, as we are going to have almost constant reference to the page numbering of this exhibit No. 1 in particular, not only at this meeting, but at later ones, would it not be well in printing the appendix to number the pages exactly as they are here?

The CHAIRMAN: Yes, I think that is desirable.

By Mr. Merritt:

Q. Mr. Chairman, I would like to ask a question. When you make your next budgetary survey, Mr. Marshall, this year or in a couple of years, whenever you are going to do it, who decides what items will be included in computing the basket of goods on which you conduct your survey?—A. The consumer himself will decide pretty well, because we will find out what he is consuming.

Q. Yes, you do not give your people a definite list; you take what they report?—A. We have to have a long list for their guidance, then the quantities which they put on that list will determine what we put in the index.

Q. I notice in your own furnishings and services, on page 49, or something, that you do not include a radio or a washing machine, or the electrical stuff, or some of those things which are now quite normal household goods. Is it a fact that in 1938 those things were not considered to be part of the average working man's budget?—A. As a matter of fact, those three commodities had been spliced into our index within the last—I would say it was within the last two or three years.

Mr. MACINNIS: Mr. Marshall, of the one hundred and fifty items—

Mr. MERRITT: Might I just conclude?

Mr. MACINNIS: Sorry.

By Mr. Merritt:

Q. What was the result of that splicing-in? Did that contribute to the change from 1938 to the present time; or did you splice them in as though they had been included in 1938? Were they included at both ends or only in the middle?—A. Yes. Price splicing is arranged in such a way—we try to tie in back to the base period. And now, there is one difficulty, of course, about commodities of that kind. There are things that change from year to year. If we are to have a bucket in which we measure price changes only we cannot have a change in the nature of the commodities that are included. Take for example some of the clothing items, that is the only way we can arrange to have a variation of prices that relate to the same thing, and just show the price change only. We have to have something in the nature of a specification. Therefore, it is very difficult to include in the index a lot of manufactured and processed commodities.

By Mr. Johnston:

Q. Such as radios?

The WITNESS: Yes.

By Mr. Merritt:

Q. I understand from what you have said they are included in the 1938 index as well as its 1948 counterpart?—A. Yes, the price of each of these three has been spliced in. It does tie it in with the base period.

Q. Yes, one further question: why, if these articles were spliced in, did they not show in the totals which appeared on page 48 and onward, and the weight attached to each of the items? Can you tell us that?—A. Oh, yes. Well, this list of weights was prepared before those items were spliced in. They should be in there now.

Q. They should be in there now?—A. Yes, they should be in there.

Q. Are there a great many items to be spliced in? Could you give us the total?—A. There are not very many. Those are the only three that have been spliced in since the system was adopted.

Q. In the whole index or just in the home furnishings and services group?—
A. In the whole index.

Q. That is since 1938?—A. There have been a few other items away back in 1938 and during the war.

Q. That changes, too, the group weight?—A. No, it will not change the group weight. It will change the weight of the individual items.

Q. But would not change the group weight?—A. No.

Q. Why would that be? Would other articles be left out?—A. They are represented. Let us take food, we will say, and take certain representative items. They do not represent all the items that people consume as food, but we do know the proportion of their total expenditure that is spent on food. That is to say, in 1938 on the basis of the budgetary study that was 31. Then we must make allowances. Therefore we must have that second system of weighing the group weight as well as the individual weights in order to be sure food is represented adequately in the over-all index.

By Mr. MacInnis:

Q. I should like to ask Mr. Marshall if all of the 157 items in the cost-of-living index are included on pages 48 to the end or if not can we have all of the items that are included in the cost-of-living index?—A. I thought this was an up to date list. We will have to have an amended one.

By Mr. Mayhew:

Q. You can give us a complete list?—A. Yes.

By Mr. Harkness:

Q. I notice in this list there is no clothing for children included. Why would that be? You have men's clothing, women's clothing, footwear, and so forth, but there is none for children.—A. Our experience has indicated that the trend in those two groups is adequate to represent the over-all trend, and there is also an additional technical difficulty in regard to getting continuity of quotations on children's items. It seems to be more difficult than the other two groups.

Q. Would that not change the final index materially as far as the family which you say this is based on, containing in the average case two or three children? If you leave out children's clothing I think you might just as well leave out women's clothing altogether.

Mr. IRVINE: Better.

Mr. HARKNESS: As a matter of fact, probably better.

The WITNESS: Children's clothing is certainly represented in the weight here, and the tests that were made on the basis of the budgetary data indicated that the trends we got from the items we have here were representative of the trend changes.

By Mr. Harkness:

Q. Under footwear you have got annual replacement allowances, men's work boots, two pairs; men's oxfords, .7 pairs; men's rubbers, 3.5 pairs; women's shoes, two pairs. It is a well known fact that children, particularly boys, wear out shoes much more rapidly than their fathers do. By leaving out children's shoes I think there would be quite a material difference in the index.—A. I can only say this index number has been made up according to accepted principles in all the leading statistical countries of the world. We are doing just the same as they do. We have made tests to see that what we have in here does represent the movement of prices in the group as a whole. We have done everything we can. If anybody can show us we are wrong here by actual demonstration we will be only too glad to change our methods, but I am afraid you will not be able to do it.

The CHAIRMAN: You are not suggesting women do not wear out shoes?

Mr. HARKNESS: No, I am not, but I am suggesting children wear them out much more rapidly than adults and the fact that children are not taken into consideration in this definitely makes some material difference. In fact, I would suggest perhaps that is one of the reasons why the average housewife thinks your index is not correct.

By Mr. Irvine:

Q. If you left out children's shoes prior to the war and leave them out afterwards it would not effect your price level?—A. No. Price changes are reflected in these other things.

Mr. MAYHEW: It is the increase in shoes during this period.

The CHAIRMAN: The increase in price. Is that not what we are interested in?

Mr. FLEMING: It is the increase in the price of certain kinds of shoes unless the changes reflected in the price of men's shoes and women's shoes are themselves a fair reflection of trends in the prices of shoes of children. Mr. Marshall said a moment ago that he was satisfied that the trends in the price of men's and women's shoes gave a fair representation of the trends in the price of children's shoes. I should like to know on what scientific studies that conclusion is based because I agree with Mr. Harkness that you would find it difficult to convince most of the mothers of this country who are buying shoes for children that children's shoes and children's clothing have not risen in price faster than those of adults, and have deteriorated in quality faster in this ten years. I gather there are some studies that have been made. Can Mr. Marshall tell us about those?

The WITNESS: Let us take clothing. After all children's clothing is made of the same materials as men's and women's clothing, and boots in the same way. We did have all that information from our 1938 survey of the cost of living. You had a lot of information there of the amounts of various commodities that are consumed. We have had the prices in the Bureau. It is quite possible to test and see what commodities you can select that will be representative of the much wider range of commodities. That was certainly done very carefully at the time before we selected the commodities that would be included in the cost-of-living index.

By Mr. Fleming:

Q. When was that selection made, 1938?—A. 1938.

Q. Again that does not take account of trends in the meantime.—A. It takes account of trends of prices. We get back to the same point which we have already made that if we have a new budgetary survey and set up a new consumption pattern and then make this current year your base and carry those prices back we will get the same price trend. I think we will get very close to the trend we have already shown.

Q. That is an assumption but you said a moment ago—A. Pardon me for interrupting. It is more than an assumption. We have tested this. We have tested this thing in the Bureau by setting up arbitrary budgets, by using different weights, different standards, and we do get though those tests verification of the index that we put out.

Q. That is what we want to get at, the tests you have made on which you are basing the conclusion you have drawn.

By Mr. Johnston:

Q. Can you give examples? The department would probably have these sample cases on record?—A. Yes.

Q. I you would produce some of those sample cases that might convince the committee there is no material change.

Mr. FLEMING: We would be interested in seeing some of those cases, particularly in view of your statement that the Bureau finds it difficult to get continuous quotations on the prices of children's clothing by reason of changes in styles and pattern and that sort of thing.

The CHAIRMAN: Do you not think we have pursued this point far enough at this stage?

By Mr. Harkness:

Q. There is one point on which I would like to be clear in my mind. What effect has this commodity weight, which is the annual replacement allowance, in the final determination of the index?—A. I just do not get that.

Q. How does that commodity weight enter into the final determination of the index?—A. Take the price of the commodity; it has to be multiplied by that individual weight. Then again, of course, it is in a group, and the group itself has to be weighted according to the influence it has in the total over-all expenditure.

Q. For example, if the total weight, instead of being 8.2 as you have it here, was 16.4 what difference would that make as far as your final index is concerned?—A. I would not know unless I figured it out.

Mr. LESAGE: Where is that?

Mr. HARKNESS: Page 6 under footwear.

By Mr. Harkness:

Q. What I am trying to get at is how much influence that has on the weight you attach here, in other words, the weight of the commodities you include and what the ones you exclude might have if they were included.—A. May I have the page?

Q. On page 49 under footwear.

The CHAIRMAN: Page 48 (a). It is the back of page 48, page 6 of this table.

Mr. MAYHEW: The first item under footwear, mens work boots.

Mr. HARKNESS: I took that as an example.

The WITNESS: We would have to relate that to the price rise. We would have to have the price and weight and see what effect it would have, but in the over-all index I would not think it would make very much difference, not a great deal of difference.

By Mr. MacInnis:

Q. May I ask Mr. Marshall another question? When you formulated your index in 1938 did you give a monetary value to the sum total of the items in the index?—A. Yes, we did that.

Q. What was the monetary value at that time?—A. About \$1,400.

Q. \$1,400 a year?—A. Yes.

Q. Have you got the figure as to the monetary value for 1947?—A. No, we have not. We do not put out any figures of value of the cost of living. That \$1,400 was for the over-all.

Q. Would that figure multiplied by 1.48—I think that is the figure for the first of January—give the correct monetary value now?—A. It would give the increase of that consumption pattern up to 1948, but suppose you did get that. It seems to me it is not very helpful because it is an average. It is just like when you are measuring the height of a lot of people. You have got some above and you have got some below. You have got all sorts of standards.

Q. But is that not the way our incomes are distributed? If you go into an industry where there are 2,500 employees they get their wages not on the number of people in their families or their needs. They get them according to their skills or trades. I suppose the supposition is that will meet the needs of the average family. What was the exact figure?

The CHAIRMAN: What you mean by that is the wages system does not take into account the number of dependents a wage earner may have.

Mr. MACINNIS: Yes, and because it does not I think the average should be high enough to take care of the largest family.

By Mr. MacInnis:

Q. Can you give me the exact monetary value of the 1938 budget?—A. Roughly \$1,450.

Mr. FLEMING: That is for a family of 4·6 persons.

By Mr. Fleming:

Q. Mr. Chairman, I want to go back to the basis of the family, the 4·6 persons in 1938. How was that selected and has any account been taken of any trend in the meantime in the size of the average family?—A. That figure was taken from the census records. Before the budgetary survey was made there was a study made of the actual size of families from the census records. There was a very careful sampling pattern made. I suppose it took at least six months to go through the records to make the sampling pattern from census facts.

Q. Have you made any subsequent studies on the same point so we could relate this percentage rise in the cost of living to the needs of the average Canadian family?—A. No, we have not taken another budgetary survey yet.

Q. On the assumption that the size of the family has remained fairly constant, to reach the figure of the average need of a Canadian family today, we would simply multiply \$1,450 by 148·2 is that correct?—A. You would certainly then get the value, the amount of money it would cost to buy a basket of the same kind as was set up in 1938, yes.

Q. That is what I want to get at. If the cost is lower it is because people are doing without some of the things they had in 1938; that would be a fair assumption or inference?—A. I did not quite get that.

Q. Multiplying 148·2 by \$1,450—I assume it comes to \$2,150 a year. If you take the same Canadian family, averaging 4·6 persons living on \$1,450 in 1938, if they are living today on less than \$2,150, then they are doing without some of the things they got in 1938?—A. That is what it would cost to buy that same basket that we included in the budget in 1938.

Q. Is my inference a correct inference?

The CHAIRMAN: Is it up to the witness to make an inference?

Mr. FLEMING: I am trying to interpret the statement the witness has made and trying to relate it to today's conditions.

The WITNESS: It seems to me all I am giving is a rise in the cost-of-living index. I say that in 1938, you had a basket of goods or services which cost \$1,450 and the same basket of goods or services, according to our index, would cost roughly \$2,150.

Mr. MAYBANK: I have noticed that for a considerable time we have been dealing with the methods followed by D.B.S. Surely, it is plain to us all there has been an increase in the cost of living. Now, Mr. Mayhew said a while ago the main point was to determine, perhaps, some of the peaks in the rise and then, perhaps, to examine into the reasons for them, particularly. There is no doubt there has been a rise in almost everything, in some things much more than in others.

While this methodology has much interest, at the same time an extended enquiry into it is not going to get us much farther forward in determining the causes of the recent rise in the cost of living. It is not going to get us much farther forward in the enquiry as to whether or not some of the price increases have been improper, whether there has been profiteering. It does seem to me we have to keep our eye not on the whole target but on the centre of it. I submit that our questioning should move on, either with this witness or another one, to the main purpose of this committee which is to try to find out the cause of the rise, particularly when there has been anything improper underlying the cause. I believe we can ask questions on methodology from now until doomsday and three or four hours afterwards and not have progressed much farther with the real purpose of this enquiry.

Mr. MACINNIS: Does Mr. Maybank contend the real purpose is to find out if there is anything improper?

Mr. MAYBANK: I admit I used that expression. The real purpose is very well set forth in the A B C of the reference. The first part of it is to enquire into the causes of the recent rise in the cost of living. I submit that an extended enquiry into the methodology of the D. B. S. is not advancing far in that direction.

Mr. HARKNESS: There is one point there. I think, Mr. Maybank, if we are going to base our ultimate conclusion on the cost-of-living statistics which are presented to us by this statistician, we need to have in our own mind a clear understanding as to whether we are accepting these figures as accurately interpreting all the factors which enter into that cost of living.

The CHAIRMAN: Is that not a matter, Mr. Harkness, for argument? We are listening to a witness now, who has given his conclusions, his opinions, as to the all-inclusive character of the index and of the system by which that is reached. The members of the committee may have their views on the matter, but all we can do at this stage is to take the evidence, and, having gotten it, proceed to the next point.

Mr. HARKNESS: I agree with that, but if we are going to use these figures throughout our enquiry we should have, perhaps, some of these questions to determine to what extent items are included or left out and so forth.

The CHAIRMAN: Yes. It seems to me the point made by Mr. Irvine and later by Mr. Mayhew should be borne in mind at this stage and, if there is a disagreement, that will be a matter for the committee to consider at a later stage. At this time, when we have a witness before us who has stated quite clearly his opinions on this particular issue, I believe we ought to let the matter rest there.

Mr. FLEMING: I think the point has been quite misconceived. I said earlier we did not want to lose time by discussing the scope of the enquiry here. We have had brought before us this morning a mass of statistical information which, according to the conception the committee had, was to form the foundation for the whole of this enquiry. Now, it is not only highly proper, but I think strictly necessary we should seek to understand fully the basis of the compilation of this evidence. It is not, as I thought Mr. Maybank suggested, because we want to find out something of the method of compiling, for its own sake; it is to test the sufficiency of the evidence which has been submitted. Let us get that quite clear. I believe we are going to have to come back to this.

There is another feature of this upon which I desire some information. We are not, as I understand it, asking these questions now because we are simply interested in the methodology; it is because we desire to understand the effect of this evidence which has been put before us. If we are going to accept this as

the foundation for our enquiry, namely, that the cost of living has gone up so many points in such and such a period, then to test it accurately, we have to understand the method by which that has been arrived at.

MR. BEAUDRY: I agree with you up to a point, but I do not think the basis upon which the work of the enquiry is to be laid can be stated so simply. It is one of the adjuncts which we are going to use. We are going to have many other means of determining actual prices and actual rises beyond the index which may be exact or may be incorrect. In so far as we are going to have all available means of testing and finding out what the actual figures are, I do not think we should attach too much importance to this at this stage.

MR. CLEAVER: Before we conclude our morning session, could the witness be allowed to complete his general explanation of exhibit 1?

The CHAIRMAN: Yes, I was coming to that.

The WITNESS: Section 6 on page 36 deals with various subjects such as national account, that is income and expenditure, and one of the items of national income, wages, salaries and supplementary labour income and another item, net income of agriculture by provinces.

Then, after that we have certain indexes for hourly wage rates. This is data which is compiled by the Department of Labour.

We also have the average weekly earnings from 1941 to 1947 on page 43. This is not confined to wages only but includes wages and salaries of the reporting firms.

By Mr. Winters:

Q. Where is that break-down by provinces which you mentioned?—A. That is the net income of agriculture by provinces on page 41. Now, perhaps I ought to make this cautionary statement regarding that. It does not indicate the total income of agriculture. It is a figure, of course, which we use in computing our national income statistics and it relates only to the income from operations on the farm. In the same national income compilation there will be, of course, the income from forestry, for example. If the farmer has been working in the woods and received some income from that source, it would be included under the forestry item. Therefore it does not appear in here.

By Mr. Cleaver:

Q. Do these remarks which you are now making pertain only to the statement in regard to the provincial breakdown? Referring to page 38 of the exhibit—I beg your pardon, 36 in the exhibit, item No. 4, Net Income of Agriculture; is that an all-inclusive item?—A. It is not.

Q. Where would I find the balance of income of agriculture?—A. It is not possible for us, at the present time, to segregate the income which farmers received from other sectors of the economy such as, say, forestry. We cannot give you what the total income of agriculture is.

Q. Then, is it not correct that the total national income of Canada in 1938 was \$5,141,000,000?—A. That is right.

Q. Does that item leave out this?—A. Oh, no.

Q. All right then, going down your total and adding it up, where do I look to find the income from lumber and logging?—A. It is divided amongst the other factors of production. For example, if a farmer who is working in the woods obtains salaries or wages—

Q. I would find that under item 1?—A. Yes, it would be there but they are all, of course, hidden. We cannot segregate them.

Q. Would it be possible to have the chart which appears on page 6, include a line showing the fluctuations of the national income, the wages, salaries, the net farm income and the investment income?—A. Yes, we could make a chart of that kind.

The CHAIRMAN: Wages—?

Mr. CLEAVER: First, the national income; that is an all-inclusive figure, plus wages, salaries, net farm income and investment income.

The CHAIRMAN: Yes. That could be done, Mr. Marshall?

The WITNESS: It could be done but, of course, we do not have the national income figures for the whole period. We will include the national income figures in so far as we can.

Mr. CLEAVER: You will separate those lines in your statement?

The CHAIRMAN: I think that is a very good suggestion.

Mr. LESAGE: You can put in an estimate for 1947.

The WITNESS: Yes, but we are thinking of the back years.

Mr. CLEAVER: Could they all be related to the same dates so that in looking at the charts the committee members could see a completed picture.

The WITNESS: Yes. Now I think I have pretty well covered this memorandum. The other theories have to do with weekly earnings and the employment index.

Mr. MAYBANK: Mr. Chairman, in reference to this afternoon I would suggest that we take Mr. Taylor at once when meeting at 4 o'clock. I have this one reason for suggesting the procedure. Every person here would like to have an opportunity of seeing Mr. Taylor's brief in advance of the meeting. The briefs could be distributed now among the members of this committee and the members of the press, who would receive them confidentially in the meantime I presume. At 4 o'clock the material would have been in our hands for two or three hours. It would, of course, then be presented by Mr. Taylor.

The CHAIRMAN: Would you not have Mr. Taylor read the statement at the time.

Mr. MAYBANK: Yes, but the distribution would be in advance. For instance press releases are often given in advance for release at a certain time. The press would receive the brief but would not release it until the witness gave it orally. We likewise would have had some opportunity of perusing the brief between now and 4 o'clock.

Mr. FLEMING: We are not yet through with Mr. Marshall.

Mr. MAYBANK: No, but if my suggestion were followed we would then be in a position to properly follow Mr. Taylor.

Mr. FLEMING: Why should we interrupt Mr. Marshall's evidence?

The CHAIRMAN: Have you further to ask Mr. Marshall?

Mr. FLEMING: Yes, a number of them.

The CHAIRMAN: I do not see that we should put the information Mr. Maybank refers to on the table before we finish with the witness.

Mr. MAYBANK: Yes, but I thought that Mr. Marshall was so nearly done that it would be practical.

The CHAIRMAN: Mr. Winters, you have some questions?

Mr. WINTERS: Just a very few.

By Mr. Winters:

Q. The first question I have to ask is with respect to pages 7 and 11 of the exhibit. In reference to 1926, the general index of 1913 was 64. Now the

same index on the basis for 1935-39 was 79·1. There is a difference there between the figures 79·1 and the figure 64. What are the main factors in that difference?—A. Well one is the cost-of-living index.

Q. Yes.—A. The other is the wholesale price.

Q. I see. Where is the cost-of-living index referred back to the same base.—A. We do not have in this memorandum a table showing the cost of living on the 1926 index. The basis we are using in the bureau is 1935-39.

Mr. PINARD: The cost of living only starts from 1938.

The WITNESS: 1935-39 is the basis but we carry the index back. We have it back to 1913 on page 11.

Mr. CLEAVER: Mr. Marshall, I should have mentioned when I requested the chart that I would like the net figures, the net national income, the net return on agriculture and so on.

By Mr. Winters:

Q. My other question was with respect to the meat and fish breakdown on page 30. Mr. Marshall said, I believe, if fish were disregarded the meat and fish index in the sub-group would be 3·9 instead of 3·6—A. Yes, the index for meat would be 3·9.

Q. Which means the cost of meat is higher relatively than is the cost of fish?—A. Yes.

Q. Does that mean that if the consumption of fish were doubled the figure would be down to about 3·3?—A. Well this of course is a price change; it represents a price change, and it would probably make some difference in the figure 3·6.

Q. As the consumption of fish went up that figure for meats and fish would go down correspondingly?—A. Yes, it would.

By Mr. Fleming:

Q. Mr. Chairman, on the matter of the index I understand it is based on a return from the urban centres? That is correct is it not?—A. You mean the budget?

Q. Yes.—A. That is right.

Q. Is there any attempt shown in this 50 page document to relate that index to any studies you have made for the budget of families in rural areas? Does such a comparison appear in this document?—A. Yes you will find that information in section 5 on page 33. There is an item on that page for the things purchased by farmers.

Q. Well, I am trying to relate not simply the farmers cost of production but his living costs to your cost-of-living index which I understand is based on the experiences of families in urban districts.—A. We have that here on page 33.

Q. Yes, I see that column 3 shows your living cost. We can take that as a fair basis of comparison with the general cost-of-living index.—A. Those are figures on what it is costing the farmer according to our index number for the things he has to buy.

Mr. HARKNESS: Is that not the same figure as the general cost-of-living index 146·5 in August?

The WITNESS: Well, yes. Of course there are some commodities that are produced on the farm. If you want me to give you the items I have them here. There are quite a number but it is roughly comparable to what we have in the general cost-of-living index.

By Mr. Fleming:

Q. Let us be clear on this column No. 3 on page 33. Is it or is it not the general cost-of-living index, or is that a separate cost-of-living index for families in urban areas?—A. The point I think is this. Just as we made a budget for urban wage-earning families based on the facts which they reported to us we did the same thing here. We got information as to what commodities each farmer produced for their cost of living needs and the quantities on this budget are based on those facts.

Q. Just tell us when that budget was made and from what number of families?—A. It was made in the same year. It was actually a larger number of families than was used in the other instance. These rate revisions made in the 1938 survey incorporate the results of expenditure records from 1,692 family groups or corresponding families. In so far as the individual items are concerned practically the only revised items were food although a few items in the clothing section were reweighted. For example I will point out men's suits and overcoats, men's windbreakers and so on. We do not pull these figures out of the air.

Q. No, I do not suggest that you do pull them out of the air but I want to know how this figure compares with the general cost-of-living index?—A. If you will look at it there you will see it compares to a great extent with what we have in the regular index.

Q. I will not take up your time nor the time of the committee on the matter as I have not looked at it.—A. I could promise, Mr. Chairman, to have a copy of this whole thing made.

By Mr. Harkness:

Q. Does that figure of 146·5, that is for August 1947, relate to 150·2 which is the retail price index found on page 12, or does it relate to the total index of 136·6?—A. That is exactly the same base as the other one. It is the base 1935-1939=100.

Q. For August 1937 you have a total index of 136·6 and you have on the right hand side the retail price index commodities of 150·2. Does this living cost for farmers relate to the 150·2 or to the 136·6?—A. It relates to the 136·6.

Q. So the living cost to farmers was actually 10 points higher in 1947 than it was for the general population.—A. Well that is what it is.

The CHAIRMAN: And what is the situation now?

The WITNESS: The figures are about the same right now.

The CHAIRMAN: I think this might be a convenient time to adjourn. We shall meet again this afternoon at 4 o'clock in this room.

The meeting adjourned at 1 o'clock to meet again this afternoon at 4 o'clock p.m.

AFTERNOON SESSION

The committee resumed at 4 p.m.

The CHAIRMAN: The committee will come to order.

Mr. H. Marshall recalled.

The CHAIRMAN: Are there any further questions which members of the committee wish to submit to Mr. Marshall?

By Mr. Irvine:

Q. I should like to ask Mr. Marshall a question, Mr. Chairman. I think he said that there were approximately 14,000 families examined to form the basis of the price index in respect to food; is that approximately right, 14,000?—A. Yes, 14,039.

Q. And in that way you discovered that the average expenditure by each family was about \$1,450 a year; is that right?—A. That is right.

Q. My question is whether any information is obtained as to whether that \$1,450 a year was sufficient to purchase a really adequate status of living for these families?

The CHAIRMAN: I gave a long lecture this morning, and I am not going to start restricting you, but I do think we ought to get down as quickly as we can to the immediate terms of reference before us. I am not going to stop you, Mr. Irvine, because I think the committee should be allowed every latitude; but I just do caution you, if I may put it that way, as to the desirability of our sticking pretty closely to the issue.

Mr. IRVINE: I would imagine that would come pretty near to the main issue eventually.

Mr. LESAGE: May I answer that by saying that with an income of \$1,500 a man should have a car.

The CHAIRMAN: I do not think, Mr. Lesage, that I could allow you to answer something which I think the witness should not be asked.

Mr. LESAGE: All right, Mr. Chairman; we will consider that off the record.

By Mr. Mayhew:

Q. Are there any items in the one hundred and fifty which go to make up the cost-of-living index which have not risen since 1939?—A. Yes, I believe there are.

Q. Have you any idea how many?—A. Well, there are not very many.

Q. But some have not risen at all?—A. Yes, there are some which have not risen at all.

Q. Then others must have risen quite an amount in order to make that increase. What items would they be? In the food items what is the one item of greatest increase?—A. On page 31 you have a table there in which the individual items in the cost of living are shown and you will see the rise in the index for each one of these items. Here you have beef, rib roast, 174.3.

Mr. WINTERS: Where do you get that?

The WITNESS: Page 31, the second to the last column.

Mr. MAYBANK: What figure did you quote? Rib roast, I think you said,

The WITNESS: Oh, I am sorry; that was the index as at December of 1945, it was 174·8; and beef, rib roast in January of 1940 was 208·3.

Mr. MAYBANK: Yes.

By Mr. Mayhew:

Q. That seems to be about the highest one with the exception of — —A. There is lard down below—245·6.

Q. Yes, and beans, dry 292—. A. Yes, and butter, 268·1. The increases are shown for each of these individual commodities in the food group on this page.

Mr. MAYHEW: I have asked that question in order to try to focus our attention on where the high points are, and those are the ones we want to make inquiry about.

The CHAIRMAN: That really is what we want to do. As Mr. MacInnis reminded me, the steering committee at its meeting last night had in mind just what is now being brought forward by this witness.

By Mr. Mayhew:

Q. Then where do you find the big increase in clothing?—A. The increase in clothing was 38·7.

Q. Where would you find the high spots in that?—A. We have not got a break-down of all the items of any other groups than the food group. We have sub-groups on page 29. It seems to me that if you refer to page 30 you see there an indication of the sub-groups in which there has been the greatest rise. The total rise is 28·2 for the whole index and food accounted for fifteen points of that rise.

Q. Yes?—A. And then under foods you have the influence of the rise of the various sub-groups; 7·4 for dairy products; and meats and fish 3·6—if you take the meat alone the amount was 3·9. Then coming to clothing account of 4·6 of the content of the 28·2. Now that is broken down into four items.

Mr. MACINNIS: Under fuel—light, coal, coke, gas, electricity—is oil included?

Mr. MAYBANK: What page is that, please?

Mr. MACINNIS: That is on page 30. Oil is an important fuel and it has gone up in price very drastically.

The WITNESS: We have not got it in the cost-of-living index.

Mr. LESAGE: And in the group of foods I do not see bread.

The WITNESS: That is under cereals; and bread is the main item in that, the others do not exert an influence of any account.

Mr. LESAGE: I see.

By Mr. Mayhew:

Q. Dairy products, 7·4; that works out about the highest increase?—A. That is correct.

By the Chairman:

Q. Bread, you say, would be one of the main items under cereals?—A. Yes, that is correct.

Q. And that is 1·6.

Mr. MAYBANK: Where are cereals?

The CHAIRMAN: The first one of the foods. That would be relatively high. That would be one of the highest items?

The WITNESS: Bread would be, yes.

Mr. WINTERS: Bread is shown on page 31, as one of the low items.

Mr. MAYBANK: That is the third one down.

Mr. LESAGE: But since 1935 there has been a sharp trend upwards.

The WITNESS: These point changes, of course, are a combination of the weighted prices. On bread, of course, as far as price is concerned, it only rose to 144.4 in January of 1948.

Mr. JOHNSTON: That figure is 106.2.

The WITNESS: Yes, that is right.

Mr. MAYHEW: Which is very rapid increase.

The CHAIRMAN: It is one of those which the rise has been indisputably high.

The WITNESS: That is right.

Mr. HARKNESS: In connection with that, and also the price of mill feeds, I wonder if the witness could give us the price the millers had to pay for their wheat during this period, particularly from December and January of 1945 to the present time?

The WITNESS: We could do that.

Mr. HARKNESS: I think that would be useful to the committee, Mr. Chairman.

The CHAIRMAN: Yes.

Mr. HARKNESS: I notice here that flour has gone up materially and mill feeds have gone up considerably more than oats and barley have. In spite of the fact that wheat has gone up considerably it has not gone up as much as these other grains have, and I think it might be useful if that situation is inquired into.

The CHAIRMAN: Yes.

By Mr. Maybank:

Q. You might take it month by month over a period of time and tell us the story of bread, together with some of its components; could that be done?—A. That could be done.

Q. How long back would it be desirable to go bearing in mind the recent rise? We had subsidies not very long ago. It would be well to go back before and take all the material of the subsidies when the picture changed. I should think the figures just about the time of the change, in order that we might know whether it would be right to conclude that the subsidy change, may have had something to do with it. Now, could that be worked out satisfactorily; bread and the things that go into bread?—A. Yes. We could make a series of price tables for you taking it back, if you wish—I should think to August of 1939 perhaps.

Q. All right. I thought it would be best just to leave it with you and remarking on its purpose and you could yourself decide on the field.—A. Very well.

Mr. IRVINE: Mr. Chairman, it seems to me that the tendency of the committee, at least for the moment, is to concentrate on those items of food stuffs in which the greatest increases in prices have recently developed. I was wondering whether it would be a proper question to ask Mr. Marshall for the increases in price of the commodities used in the production of these things. Would that not also have to be considered if we are going to get a proper picture?

Mr. MAYBANK: That is exactly what I meant when I said, "and things that go into it".

The CHAIRMAN: I think that is right. May I submit a question?

By the Chairman:

Q. Let me also bring this up. Can you let us know the price of flour over that period?—A. Yes, we can give you that.

Q. Am I right in suggesting that the price of flour has gone down while the price of bread has gone up?—A. We have something on that right here.

Mr. HARKNESS: Flour has gone up?

The WITNESS: Flour has gone up more than bread. There is an index of January, 1948; on the basis of December, 1945; for flour it shows an increase of 174.4, while bread was 131.6. These are wholesale prices.

By Mr. Maybank:

Q. Who is going to say as to the importance of the flour rise in the price of bread? That is not in your department, is it, Mr. Marshall?—A. No, that would not be in our department.

Mr. HARKNESS: What we need is the price the millers have paid for wheat during that period related to the price of flour and also mill feeds.

The CHAIRMAN: I think we should bear in mind that Mr. Marshall is here as head of the Bureau of Statistics and he will give us the statistics of these things, the details of which I think will have to be supplied by someone like Mr. Taylor or his officials. What we want to get now is the points indicating the highest rises and the lowest depressions.

Mr. HARKNESS: There is another group of statistics I would like to get if you could supply them; that is the number of farm trucks by provinces. I think that could be readily secured from the provincial people. I understand they will be able to give us that because they issue special licences for farm trucks.

The WITNESS: Yes, I will make a note of that.

Mr. HARKNESS: It will be referred to you, of course.

Mr. JOHNSTON: Would it not be worthwhile while Mr. Marshall is getting the information which has been requested on flour, and in view of the fact that he is conversant with all these price changes, that he make a list of those things which enter into the cost of living where the rise has been outstanding, as it has been in bread? That would avoid overlooking any pertinent facts.

The CHAIRMAN: I think Mr. Marshall can do that.

Mr. JOHNSTON: That would show us exactly where they have taken place.

The CHAIRMAN: Yes.

By Mr. Fleming:

Q. Mr. Chairman, perhaps this follows logically after the question which has just been asked. In the scant opportunity I have had of looking over this bulletin of statistics which was given out this morning I do not find here any statistics of production in Canada, or the importation into Canada, of the items which are included in the cost of living index. I am thinking particularly of the commodities which enter into the cost of living. I presume those figures are available?—A. We have import statistics on a pretty current basis, and we have the production of certain individual commodities on a monthly basis; and on other individual commodities we could produce a lot of information.

Q. I would like to start with food stuffs right from their production on the farm; start right in with the wheat and the coarse grains and the live stock and bring it up. I should think that the figures on the production of grains and so on should go back to say 1939; and on imports as well as we can get them down to 1946, and 1947. Perhaps so far as the production figures can be set

up on a monthly basis, or have been set up. Could we have them on a monthly basis beginning January 1, 1946?—A. We will do that in so far as we have monthly figures.

Q. I appreciate that for a number of them you cannot possibly have them on a monthly basis, but on such as can be set up on a monthly basis I would appreciate having that. Is it possible to segregate, or have you any figures on domestic consumption, or do you simply prepare your statistics on the basis of imports or production and disappearance from the shelves of distributors?—A. Decennially in the census of merchandising we do have a lot of information about sales at retail on a number of commodities although a lot of the information is in groups. There is also in the Bureau information on the apparent consumption of a lot of commodities. We could get together what information we have there.

Q. It would be helpful if you would give that on the same commodities and for the same period.

Mr. CLEAVER: To complete the picture should you not also have the figures on the export of foods?

Mr. FLEMING: Yes, that would be desirable for the same period to get the complete picture. It would be desirable to have exports of the same articles for the same period.

By Mr. Harkness:

Q. There is one other list of statistics which I think might be useful to us. On page 36 you have here No. 6, indirect taxes less subsidies, 1947, a total of \$1·538 million. Can you give us a breakdown of that as to what those indirect taxes are?—A. I am afraid we will not be able to give you a complete breakdown, but we will do the best we can.

Q. You can give a very good breakdown as to what is sales tax, tariff taxes, and so forth.

Mr. CLEAVER: I have run through the percentages on that item already. You will find very little percentage change between 1938 and 1947 in that item. I rather doubt if that will be of any real help to the committee.

Mr. HARKNESS: What I was wanting to get at was the number of millions collected on food products, and so on.

Mr. CLEAVER: You will find in relation to the national income practically the same percentage was collected by way of indirect taxes less subsidies in 1947 as was collected in 1938. In 1938 it was 12·2 per cent, and in 1947 a little bit less, 11·7 per cent. Therefore, if those figures are correct obviously that could not be the cause of the present sharp increase in the cost of living.

Mr. HARKNESS: I do not think we can go ahead with any preconceived notion as to whether or not it is. I think what we want to do is get the statistics from Mr. Marshall and then we can make up our minds.

The CHAIRMAN: Having in mind the point we were discussing earlier this morning, and that I thought we had primarily brought the witness here for, I should like to go back to a question I myself submitted a while ago. I suggested the price of bread in the last short while had increased while the price of flour had decreased. I did not understand that your answer subscribed to that view, but I call your attention, Mr. Marshall, to page 20 where you have a table of wholesale price index numbers of selected commodities and commodity groups. In 1947 the price of flour, for instance, in September was 182·6, in October 182·6, November 182·6, December 179·7, January 174·4, so that the price of flour has gone down?

The WITNESS: That is right.

Mr. CLEAVER: Bread on the other hand moved up from 100 to 131·6.

The CHAIRMAN: That is a point that may have significance for the committee.

Mr. FLEMING: May I come back to this matter of the taxes. Mr. Cleaver raised the point that the percentage had remained constant and that therefore it could not be a contributing factor to the rise. I suppose as long as your indirect taxes are on a percentage basis that where your cost of commodities which are subject to the tax is going up, your percentage while it remains constant is bound to take an increased amount over a time.

Mr. CLEAVER: These figures are on amounts, and I have reduced the amounts to percentages. In 1938 the amount collected for indirect taxes less subsidies was \$630,000,000. That is related to a total national revenue of \$5,141 million. Then when you move over to 1947 the amount collected for indirect taxes less subsidies was \$1,538 million but that figure is related to \$13,052 million. If you will percentage those you will find it is quite obvious indirect taxes could not be a contributing factor.

Mr. HARKNESS: I do not think it is obvious at all. I think we should get the figures and have a discussion on it afterwards.

Mr. CLEAVER: All right.

The CHAIRMAN: Mr. Marshall will supply those figures later.

Mr. MERRITT: If you do not percentage them it is obvious.

Mr. FLEMING: Perhaps we had better have this clear. The sales tax percentage remained constant in the period covered by the table on page 36, but you have some new indirect taxes at different periods there. I hope Mr. Marshall will cover that in his breakdown.

The WITNESS: As I say I may not be able to get as complete a breakdown as you would like but I will get all the information I can.

By Mr. Fleming:

Q. There were new excise taxes during the war. Are you in a position to give us a breakdown with respect to excise taxes for the last six weeks of 1947. Would those figures be available yet?—A. I am not sure. I will have to look into that.

Q. Are you able to break down your figures on cost in any shorter periods than the month?—A. Which costs?

Q. Any of your figures with respect to the cost of living?—A. Oh, no.

Q. You can only do it by the month?—A. There is one index in our wholesale price series where we have a weekly index number on very sensitive industrial commodities, but that is the only one we do on a weekly basis.

Q. Take the period covered by the last three or four months. I understand your figures are taken on the first day of the month in different areas?—A. That is for the cost of living.

Q. Yes, and you do not take any figures during the month. For instance, do I understand you would not have any figures relating to the cost of living as to essential commodities on the 17th of November and within one week or ten days following?—A. No, we would not have.

Q. You only have figures for the first of November and then for the first of December?—A. Yes.

Q. I see. Would you just enlarge on that subject, the method by which you go about ascertaining prices? How do you obtain your figures?—A. Well, we have 65,000, I think it is, price quotations. We send out questionnaires. I am talking about the cost of living now. We send out questionnaires to stores all over the country, independent stores, chain stores, department stores. In addition to that we have some price representatives in the field who go around checking up on these prices. They are received in the Bureau, of course, and then averages have to be made.

Q. Are they drawn from stores in urban and rural communities?—A. Oh yes. There are two indexes, of course. As to the cost of living we have for rural areas, of course, we get prices from the rural areas for that index. Then for the cost-of-living index which is based on the budgets of urban wage earners we get the prices from the urban communities.

Q. On page 36 you have a table on the net national income. Have you available figures on the available purchasing power in the hands of the public or will we have to go to the Bank of Canada for it?—A. We do not have that.

Q. I am thinking of such things as currency, deposits, credits, and so on.—A. Of course, figures of that kind are fairly easily come by because they are published. I think we could compile them.

Q. Where would you have to go for the source?—A. Some of them come from the Bank of Canada.

Q. You do not have that ordinarily.—A. We do not collect them ourselves.

Q. The Bank of Canada covers that to some extent in its regular statistical summaries?—A. That is right.

Q. We could get that either from Mr. Marshall or directly from the Bank of Canada.

The CHAIRMAN: I am not trying to restrict your questioning necessarily but merely offering a cautionary word. What has that question got to do with the particular problem which brings this witness before this committee?

Mr. FLEMING: I want the information from the best source as to the available purchasing power in the hands of the public.

Mr. CLEAVER: Is that not indicated by the net national income, the net after payment of expenses?

Mr. FLEMING: No, it is a different factor entirely. The Bank of Canada has some figures on that, and I think the other banks issue some figures on it. There are figures available. If Mr. Marshall has not got them I think we can get them from the Bank of Canada. It is a different factor from the net national income.

Mr. LESAGE: I have seen the figure for December 31, 1946 in a document issued by the Bank of Canada.

Mr. CLEAVER: You want to find out the reserves folk have to draw on in addition to their net annual income?

Mr. FLEMING: No, it is well understood among economists what is meant by this expression, "available purchasing power". It includes several things, currency, deposits, credit, and so on.

Mr. CLEAVER: That would be indicated by the national income plus accumulated savings.

Mr. FLEMING: No, it is not national income. It is something quite different from it. It is a factor that is capable of segregation, the available purchasing power in the hands of the public.

Mr. IRVINE: Would not Mr. Fleming also—

The CHAIRMAN: I think we ought to try to avoid as much cross fire as we can because it is pretty difficult for the reporter.

Mr. IRVINE: Would not Mr. Fleming also require corresponding figures for the period upon which the present index figure is based for comparative purposes?

Mr. FLEMING: If the figure is available I would like to see it, beginning in 1939, similar to the figures I asked Mr. Marshall if he would be good enough to prepare on production and importation, exports and domestic consumption.

The WITNESS: I think what you are after is money supply. There is a table in our monthly review of business statistics, page 85, money supply,

circulation media, bank notes in circulation, Bank of Canada, chartered banks, notes in the hands of the public, subsidiary coin in the hands of the public, and then it goes down and gives information about deposits, and so on.

Mr. FLEMING: There is more to it than that.

The CHAIRMAN: Mr. Fleming, what is troubling me is that information may be desirable for another purpose but I do not quite appreciate—and it is likely my fault—what that can have to do with what we are called here to consider. Assuming that it was low or high, what we are after is to find out the cause of the rise in prices, and ways and means, through disclosure of facts, of dealing with that kind of situation. I may be wrong.

Mr. WINTERS: I can see that will be one of the factors but not at this stage of taking evidence.

Mr. IRVINE: Surely more money and less goods will have an effect on prices.

The CHAIRMAN: That may be right.

Mr. FLEMING: I think we will want to follow that more closely. It may be difficult. Here is the difficulty we are running into with Mr. Marshall, right now, the fact there are no figures available for a shorter period than one month at a time, so you cannot isolate the period during which a rise has begun or continued for a shorter interval than one month. Now, we may have the same difficulty in ascertaining the available purchasing power and trying to tie it into a short period. However, I think it is a very important factor.

The WITNESS: Would you care to have me make a table by months, back to 1938 of what we have here? Then, if it is not adequate for your purposes, it could be supplemented.

Mr. FLEMING: Perhaps Mr. Marshall could confer with the Bank of Canada on that. I think probably we will have to have a witness from the Bank of Canada at some stage on this and whatever information Mr. Marshall can get I am sure will be helpful.

This morning, Mr. Marshall undertook to give a list of the causes of the rise in the cost of living as disclosed in the cost of living index. I have not been able to find the sentence for which I am looking in his mimeographed statement, but I made a list of the factors as he outlined them. They are as follows: first, higher wage costs; secondly, the scarcity of certain commodities in relation to demand; thirdly, high purchasing power; fourthly, the influence of external factors and, fifth, profit factors.

I have found the sentence, Mr. Chairman. It is about the middle of page 2. It reads as follows:

They do not, of course, analyze the underlying causes which are ultimately responsible. These include higher wage costs, scarcity of certain commodities in relation to demand, high national income and therefore high purchasing power, the influence of external prices, particularly those in the United States, profit margins, and so on.

Mr. MAYBANK: There are two things you ought to emphasize there, Mr. Fleming. First, he says they include those things and the second is that, "and so on". They are only suggestions and not, by any means, the list.

By Mr. Fleming:

Q. Within the limits of Mr. Marshall's evidence as Chief Statistician, would he be prepared to enlarge on that very significant sentence and give us his reasons and the evidence within his power bearing on that?—A. No, I would not care to enlarge on that. These influences are influences which are usually brought forward whenever we get into a period of a high rise in prices. I think it is generally recognized that they all are influences. As Dominion Statistician,

I do not speak as an authority on the relative importance of these various causes. I do not think I should like to say anything more than I said there.

Mr. WINTERS: So far as you are concerned, they show up in the higher prices. You select the statistical data on them.

The WITNESS: All we do is measure the final result of those influences and, perhaps, other influences which do affect prices.

By Mr. Fleming:

Q. Perhaps you can assist us if the information is just at your hand; could you measure each of those factors? For instance, I do not know how the chairman is going to define the word "recent" in our terms of reference but, subject to whatever definition he proposes, could you tell us what, for instance, has been the rise in wage costs within the last six months; how certain commodities have come into scarcer supply in that period; how the national income has varied in that period; how purchasing power has varied; what has been the influence of external prices in that period and what has been the variation in profit margins in that period?—A. No, I could not do that.

Q. Have you any statistics on that?—A. In this book we have given you some tables. For example, there is a table here on average earnings. We could give you that. Then, also, there is a table in here which gives the increase in wage rates; that is a table compiled by the Department of Labour. We have certain information of that kind, yes, but I could not begin to tell you what the influence of the higher prices in the United States has been on our index here.

Q. No, I think Mr. Marshall has read more into my question than I intended. Forgetting about the relation of these factors to one another or to the main problem with which we have to deal, can you tell me, concerning each of the factors you have mentioned in this significant sentence, what has been the variation upwards or downwards in a period of, say, six months? I do not know how the chairman is going to define the word "recent", but I am just taking that period of six months out of the air for the moment. Could you do that?—A. No, I could give you the results in the index number of the influence of all those factors and more factors.

Q. What I should like to get is a short statement from you instead of plowing through this very voluminous exhibit you filed this morning, of the variation by points in each of these different factors in that period?—A. I could not do that by factors. I have given you in these tables the influence of all those factors combined. They are reflected in the cost-of-living index numbers or the wholesale prices index number.

Q. Could you pick them out?—A. They are in the table.

Q. I am not asking for the influence, I am just asking for the percentage in each case?—A. In each case, do you mean?

Q. In the case of these causes that you mentioned in this sentence?—A. Yes.

Mr. MAYBANK: I think it is in the table already. One of these causes is suggested to be higher wage costs. Now, as I understand it, Mr. Fleming does not say, "Please tell us the extent to which higher wage costs have affected this index", but "Please tell us how wages have risen over a period"? I think that is in the table already.

The WITNESS: It is in the book already.

By Mr. Maybank:

Q. Is that not a correct statement to make also in respect to the scarcity of certain commodities in relation to demand and the high national income and therefore higher purchasing power? The national income is in the book?—A. Yes.

Q. Again, the influence of external prices—now, I do not know about that?—
A. I meant the United States prices, for example.

Q. Yes, that is reflected in the manual which is laid down in front of us already?—A. That is right.

Q. Profit margins?—A. I have not anything on that at all.

Q. But all the others are there in the manual already?—A. So far as the United States prices are concerned, I can give you a table by months of the rise in the United States index number, cost-of-living and wholesale prices, if that would help.

Mr. MACINNIS: I do not know if it is quite fair to ask Mr. Marshall to give the weight in the cost of living of the various items he mentioned. From my reading of his statement this morning, he said certain things have tended to raise prices. Among those things are those which he mentioned. So far as Mr. Marshall is concerned, I believe if we get from him the statistics, then we will look for the results of those items when we are perhaps analyzing the reports of companies which are engaged in the production of these commodities.

The CHAIRMAN: I think that is right.

Mr. FLEMING: I do not dispute that. We have Mr. Marshall's statement he is not in a position to attach the weight to each of these factors. I accept his statement. I wanted him, then, to pick out for us the percentage rise or change in each of these. In other words, I wanted him to pick out the essential evidence from this volume of 52 pages. I think Mr. Marshall understood what I was trying to ascertain.

Mr. MAYBANK: You wanted a further digest of the digest?

Mr. FLEMING: Yes, I am suffering from indigestion.

The CHAIRMAN: Perhaps I can come to your assistance. Mr. Fleming has made himself clear. He is not asking for the story told by the figures, he is asking where he can find certain figures in exhibit 1?

Mr. FLEMING: No, I just wondered if he had a quick figure he could give us.

The WITNESS: For example, the cost-of-living index number, this table where we showed the number of points rise—

Mr. FLEMING: Or from any table?

Mr. CLEAVER: Under two headings you will find 70 per cent of the rise. If you want the rise on labour, on page 36, you will find that labour has gone up from 38 to 47.

By Mr. Fleming:

Q. May I ask Mr. Marshall if he has any figures here on profit margins?—
A. No figures at all on profit margins.

Mr. LESAGE: That is one of the things we have to find out ourselves.

Mr. CLEAVER: That would be included in investment income.

The WITNESS: Profits would be included in investment income.

Mr. CLEAVER: Investment income we will find by referring to page 36. Since 1938, it has gone up 299 per cent.

The WITNESS: I think what Mr. Fleming is thinking of is corporation profit. The Bank of Canada does have some information on corporation profits. We do not collect information on profits in the Bureau of Statistics.

The CHAIRMAN: Then, that is clear. We will have to get that information from another source. The witness has suggested the source from which we can get that information.

Mr. FLEMING: I just wondered what he meant by "profit margins". There is no evidence available to him on it, I gather.

The CHAIRMAN: Are there any other questions of Mr. Marshall?

You are going to supply us with further exhibits. I wish to thank you very much for your evidence.

Mr. Taylor is the next witness.

Mr. Marshall, Mr. Fleming is asking when we might expect that information?

The WITNESS: We will compile it as rapidly as we can. I think it should not take more than two or three days.

Mr. HARKNESS: And that applies to all this further information for which we have asked, does it?

K. W. Taylor, Chairman, Wartime Prices and Trade Board, sworn:

The CHAIRMAN: I believe Mr. Taylor's statement will be available in a moment and we can follow it as he reads it. Perhaps we might wait a moment until that statement arrives.

By the Chairman:

Q. What is your title?—A. Chairman, Wartime Prices and Trade Board.

By Mr. Irvine:

Q. Is it still functioning?—A. Yes.

The CHAIRMAN: All right, Mr. Taylor.

The WITNESS: Mr. Chairman, in appearing before this committee I think I can be most helpful at this initial stage by attempting four things:—

1. To sketch briefly the course of prices here and abroad. (I have left it to Mr. Marshall, the Dominion Statistician, to give you any details you require);

2. To describe the policy and programme followed in unwinding wartime price and supply controls;

3. To summarize some of the factors that have contributed and are contributing to the upward pressure on prices;

4. To make a few general comments on the functions of the price system and the nature of the price structure.

I.

The measurement of price changes is not a simple task, but it is a very necessary one. You cannot discuss price levels and price changes without having some fairly simple and accurate measuring device. I am told that in a large American mail order catalogue you will find price quotations for more than 100,000 articles. A typical Canadian mail order catalogue quotes 15 to 20,000 prices. Price indexes are an attempt to reduce this impossible complexity to comprehensible terms. A good price index, one based on a well-balanced selection of commodities, properly weighted and accurately reported and compiled, will give a reasonably accurate indication of the relative changes in price or in groups of prices. It has the virtues and, of course, the defects of any average. But I think it would be agreed by competent experts that a good index number provides a measuring rod for price changes that is accurate to within 2 or 3 per cent. Experience also has demonstrated that once you get a well-balanced selection of commodities in an index, doubling or trebling the number of commodities produces only a very slight improvement in its accuracy. Since Mr. Marshall is a modest man may I add that the price indexes compiled by the Dominion Bureau of Statistics are recognized by statistical experts everywhere as being at least equal in quality and accuracy to almost any in the world.

When we come to international comparisons of prices we are on somewhat more difficult ground, because different countries attach differing degrees of importance to various commodities. For example tea and cocoa are much more heavily weighted in the United Kingdom cost-of-living index than in the Canadian. Similarly rice bulks large in the Indian index, but is very lightly weighted in ours. Each country weights its index according to the importance it attaches to the various commodities.

Price indexes, like any averages, are not perfect measurements of change, but they are the best measures we have, and at least in relation to the more statistically advanced countries, they do provide the bases for reasonably sound comparisons.

During the first world war wholesale prices in the English-speaking countries increased about $2\frac{1}{2}$ times—that is the index went up from 100 to about 250. In the 1920-22 adjustment they came down about 100 points, and the level throughout the remainder of the 1920's stayed at about 50 per cent above 1913-14. Retail prices, or the cost of living, advanced about 90 per cent from 1914 to 1920, then declined about 40 points—and from 1922 to 1930 both wholesale and retail price levels fluctuated around about 50 per cent above 1913.

The price collapse of 1930 to 1933 is familiar to all of us, and by the mid nineteen-thirties wholesale prices had settled down at a level about 30 per cent below the 1926-29 average, and retail prices, or the "cost of living", at about 25 per cent below the 1926-29 level.

I need hardly remind you that the pre-war decade was a period of low prices,—disastrously low prices. These pre-war prices included 55 cent wheat, 6 cent steers, 20 cent butter, 20 cent eggs, $8\frac{1}{2}$ cent cotton, 15 cent wool and raw sugar well below one cent a pound. These prices were a reflection of world-wide depression and unemployment. They were the accompaniments of very low purchasing power, and millions of unemployed here and abroad.

I do not think any thoughtful person would want to go back to the general 1939 level of prices.

The outbreak of war stiffened prices sharply all over the world. For a major war was bound to develop shortages in place of chronic surpluses. When the war took a disastrous turn in May and June 1940, neutral markets seemed to believe that it was all but finished, and prices dipped down. When the battle of Britain proved that it was by no means over, prices stiffened again, and as the intensity of war demands mounted, as United States rearmament began to absorb larger and larger blocks of materials and resources, and as we and other countries began to cross into the zone of full employment, inflationary pressures began to assert themselves. By the summer of 1941 the operations of an inflationary spiral began to be evident.

The United Kingdom adopted something approaching a price ceiling policy in the spring of 1941; Canada followed with a complete over-all ceiling in the autumn of 1941; and the United States developed somewhat analogous price controls during the latter part of 1942.

Under the Canadian price ceiling policy the general level of retail prices, or the "cost of living", was kept almost completely stable for more than four years. This was achieved by a vigorous combination of supply controls, production directives, export controls, bulk purchasing, subsidies and rationing. It was a "tough" and realistic policy, very ably administered and firmly enforced; but its success was predicated on the whole-hearted acceptance of the policy and the procedures by practically all industries, groups, sections and classes. And this almost unanimous support of the policy was in turn based upon, and made possible by that simple singleness of purpose—the winning of the war—which imbued and pervaded the whole community throughout those

years. The stability of the Canadian index from 1941-1945 was also due to the relative stability of American prices during the war period. Had American prices been uncontrolled during this period the strain on Canadian controls might well have become intolerable.

The United Kingdom cost-of-living index was held almost equally steady from 1941 to 1947, but was accompanied by even more intense physical controls, and far greater use of subsidies than we adopted in Canada. Perhaps I should add that the United Kingdom cost-of-living index (at least prior to July 1947) covered a very much narrower range of commodities than ours.

The American index of retail prices never achieved quite the same degree of stability as either the Canadian or British. From early in 1943 to June of 1946 it recorded a rise of about 12 full points. After June 1946 American price controls virtually disappeared, and the index advanced 20 points in five months, and added about another 14 points during 1947.

The most conspicuous economic fact of the past two years has been the steadily upward sweeping trend of prices all over the world. Mr. Marshall, the Dominion Statistician either has or will be filing with the committee all the detailed information you may require. But I think it is important at the outset to underline the fact that prices have been rising steadily and rapidly all over the world for the past 18 or 20 months.

It is not a local problem. It is not confined to any one country, or to any group or class of countries. It is a world-wide phenomenon.

The Monthly Bulletin of Statistics, published every month by the United Nations, prints the retail and wholesale price levels for each of more than fifty countries, all on the basis of 1937 equals 100. The Canadian rise in prices during the past 18 or 20 months has been greater than in a number of other countries; but that is a reflection of the fact that Canada, at the end of 1945 and in relation to pre-war levels, showed the smallest increase in the cost of living and in wholesale prices of any country in the world. By the end of 1947, although our cost of living had advanced nearly 30 points, we were still below all the other 50 countries, excepting only Australia, New Zealand, Southern Rhodesia and the United Kingdom. In the case of wholesale prices, in spite of an advance of more than 40 points, we were still below every other country listed, excepting Australia. (New Zealand appears not to have published a wholesale price index since July, 1947).

I emphasize these facts, not to belittle the very real problem of rising prices here in Canada, but to suggest to the committee that while there may well be remediable internal or domestic influences pushing or drawing prices upward, I do not think you will find all or even a major part of the explanation of this problem within the boundaries of our own country.

II

I turn now to a description of the steps we have been taking in Canada to withdraw our wartime emergency price and supply controls.

Decontrol, began in September, 1944, just after the breakout from Normandy and the liberation of Paris, but it did not gather momentum until mid-1945. The program of decontrol since then has followed a considered pattern which may be summarized under three heads: (a) removal of supply restrictions; (b) removal of subsidies; (c) outright price decontrol.

Restrictive supply orders had become very numerous during 1942 and 1943 as a means of diverting scarce materials, and of keeping down costs through simplification and standardization. Typical of such orders were those prohibiting the production of motor cars and other heavy consumers' durables; controlling the uses of metals; eliminating designs wasteful of textile fabrics; restricting

the uses of oils and fats; and controlling the commencement or expansion of civilian business enterprises. The first decontrol move in September, 1944 took the form of the revocation or relaxation of scores of metal control orders, and by the end of 1945 the great majority of restriction orders had been rescinded. On the supply side the Wartime Prices and Trade Board at present retains in effect only the tin controls and the oils and fats controls.

Elimination of subsidies was a necessary prerequisite to the decontrol of prices. Subsidies on commodities without control of their prices would be financial irresponsibility. Certain subsidies could be and were reduced or eliminated by reason of the removal of their cause, e.g., high ocean transport costs in the cases of petroleum, tea, sugar, cocoa, etc. But after hostilities ceased the impact of demand from Europe, and a breaking down of the international machinery for the allocation of supplies, resulted in a steady rise in the open market prices of a great many essential Canadian imports; and changes in the status of United States controls during the second half of 1946 set off a series of violent and erratic price movements. It became clear that there was little hope of subsidies being eliminated by external prices moving down to the Canadian level and that as the remaining subsidies were withdrawn most of them would have to be translated into price. The problem of subsidy removal, therefore, became one of timing in relation to estimated trends in world market prices, to seasonal factors and to consumer and producer psychology. The more important steps taken in 1946 were the reduction of raw cotton subsidy by 4 cents a pound in March, the removal of the consumer milk subsidy of 2 cents a quart in June, the elimination of a long and varied list of import subsidies in July, and the withdrawal of the producer milk subsidy of 1½ cents a quart in October.

During 1947 the removal of subsidies was accelerated to keep pace with price decontrols. Subsidies on textiles were reduced in two stages and finally eliminated in September. Butter subsidies were discontinued in June, wheat and flour subsidies in September, and feed grains in October. At present the only subsidy we are still operating is on oils and fats.

Actual decontrol of prices began in February, 1946 when a list of several hundred items was decontrolled. This list included such things as jewellery, cosmetics, a few exotic foods, tobacco, toys and books. The list was cautious and it included chiefly items where the supply position appeared to make any price increase unlikely, or luxury items where the administrative problems of control were out of proportion to results achieved. At the same time the board withdrew from control over those services (except freight rates) where there was in existence another established governmental body, federal or provincial, having price jurisdiction (e.g., passenger transportation, gas, water, electricity, and telephone rates).

In April, 1946 several hundred additional items were included in the decontrolled list, but none of them were among what could be described as staple necessities of life. In May we decontrolled the prices of all capital equipment (machinery and apparatus), but not including articles normally sold only for household use or for use by farmers and fishermen. In June, 1946, the board withdrew from all controls over fluid milk sales, returning them wholly to the regularly established provincial milk boards.

The next decontrol step in July, 1946, represented a major change in the form of control. It had become clear that frequent additions to long and detailed lists of items removed from control were creating uncertainty in business and bewilderment among consumers. There was building up in the public mind a feeling that all price control was rapidly dissolving, and this feeling was greatly enhanced by the course of contemporary events in the

United States. It was therefore decided to stop issuing lists of items to be decontrolled, but rather issue a single order listing those goods and services still under price control.

This change in the form of price control released a great variety of things from price control, but it was impressively clear from the twenty printed pages of things remaining under control that they included almost everything of any importance to the average consumer and average individual producer.

When the July, 1946 order was issued it had been expected to follow up with a further major installment of price decontrol in October, but the series of protracted industrial disputes that summer caused a set-back to supply, and no further price decontrol orders were issued in 1946.

The next step was in January 1947 when price controls were lifted on almost everything except the staple constituents of food, fuel, clothing and shelter. At the same time a flexible programme was prepared, which would make it possible to withdraw all controls (except rent control) by March 31, 1948. The programme was to withdraw each control at the season of the year when supplies were at their seasonal peak. There were two reasons for this: first, it was desirable to remove controls at a time when supply in relation to demand was at its peak in order to avoid temporary price aberrations, and second it was desirable in the case of farm produce to apply the principle of the free market at a time when the primary producer could share in such benefits as might accrue from a free market. Because of the complex relationships of one set of prices to another it was not always possible to apply this approach to each individual commodity, but it was applied to broad groups of commodities. Thus eggs and poultry were decontrolled in the early spring; butter and dairy products in the early summer; canned goods in the middle and late summer; and cotton textiles, meat, feed grains and farm machinery in the autumn.

The remaining rationing controls also disappeared during 1947,—meat in March; butter and evaporated milk in June; and the sugar-preserves ration was progressively liberalized during the course of the year, and finally eliminated in November.

The board retains power to reimpose ceiling. In January 1947 we reimposed ceilings on used bags and bagging, which had an important bearing on feed and fertilizer prices. In November ceilings were reestablished on the principal canned fruits and vegetables, and more recently on butter, grapes and cabbages. The board has also used its power on several occasions to serve individual price directives on individual sellers, the principal commodities affected being pulp and fertilizers.

Paralleling its reduction in functions and activities the board has progressively reduced its organization and staff. At the peak of activities we had a staff of 5,700 with offices located in about 130 cities and towns. Our general programme has been to dissolve each commodity administration 30 to 60 days after the commodity has been decontrolled, and to close out local offices as the volume of work fell off.

As of December 31st we had a staff of about 1,160. About two-thirds of this number are assigned to rent control work and are spread through about 40 local offices. The remainder are either at head office or in the five regional offices still remaining open. Since January 1st we have been re-engaging staff, chiefly investigators, to strengthen our field organization.

III

I come now to my third part, in which I suggest some of the general factors that are contributing to rising prices. I make these suggestions, in a very brief and far too simplified form, but they may serve as indications of some

of the lines of inquiry which the committee will probably wish to follow. First I shall touch upon some general considerations affecting practically every country, and then I shall try to be more specific in relation to Canada.

I do not think I need to spend much time discussing shortages—they are numerous and widespread, and some of them are severe. In the world as a whole most basic foods are short, especially those like grains, meats and processed dairy products, which can be preserved for quite a long time and which can be carried long distances without too great expense. Almost all textile fibres and fabrics are in short supply—wool, cotton, jute and sisal. Newsprint, lumber, base metals, steel, coal, petroleum—for all of these the active demand quickly and readily absorbs the flow of supply even at present prices. For many of these things, however, the demand is highly inelastic. A 5 or 10 per cent shortage can drive prices up rapidly, and a 5 or 10 per cent surplus can produce a sharp fall in prices. Present shortages and high prices of many things could turn very quickly into a surplus and falling prices with only a moderate change in the supply and demand ratio.

A question closely related to this discussion of shortages is the effect on prices of loans and other assistance to war ravaged countries. The immediate effect of such loans or assistance is to send large quantities of goods overseas for which we get no immediate payment. The Canadian farmers and workers who produce these goods get paid in Canadian dollars supplied by the Canadian government, but there is for the time being no return flow of goods to Canada to match this additional spending power. The effect on the economy as a whole is to maintain or increase Canadian incomes and at the same time to reduce, or retard the expansion of the supply of goods on which these incomes can be spent. This effect is offset to the extent that the government's taxation revenues exceed its expenditures, that is, to the extent to which the government finances these overseas loans out of current revenues or to the extent that it draws on its reserves.

There is going on at present in the United States a lively discussion on the probable effects on American prices of the impending European recovery programme. To the extent that we participate in any such programme similar considerations will arise here. It should be noted, however, that the degree of any future pressure of this kind on prices, will be related, not so much to the absolute magnitude of further aid, as to the change, if any, in the rate of aid as compared with what has been going on during the past couple of years.

Monetary and fiscal policy is a subject upon which I cannot offer technically expert comment, but I can hardly avoid all reference to it. Money, that is internal or domestic money, is about the only thing which no country in the world is short of. In part, the abundance of these domestic means of payment is merely the obverse of the shortage of goods. There can be and there has been a good deal of controversy as to whether it is the expansion of money supply that drives up prices, or whether it is rising prices that force the expansion of the supply of money. But whichever comes first there comes a point where each feeds upon the other.

The relation between available spending power, the supply of goods, and the level of prices is not at all a simple matter; it is a complex relationship. But if and when this relationship can be identified as the main cause of rising prices, the remedy, in brief, is for the community as a whole to expand production relative to consumption, and for governments to spend less, finance less on credit and tax more. These maxims are easy to state, but notoriously difficult to practise, especially when over-all national production is running at a very high level and is operating at or close to short-run capacity.

The third general factor in the present world price situation is one which I approach with some diffidence. It is the large amount of buying and selling through direct or indirect government agencies that is going on all over the

world. Let me say at once that there can be and are many socially desirable aspects to government bulk purchasing and selling, but there are also very real dangers of inefficiency, instability and unduly high prices.

Bulk purchasing, as it developed during the war, was absolutely essential in the organization of supply and shipping programmes; and when it was coordinated through the various inter-allied combined boards, it operated to prevent the competitive bidding up of prices, especially in neutral markets. But since the end of the war and the dissolution of the combined boards there have been indications in some parts of the world that on the selling side governments, like private industry, may press for the maximum the traffic will bear, and that on the buying side they may not always be as careful as the man or the company whose personal fortunes depend on skilful purchasing.

I turn now to more specific factors bearing directly on the Canadian price structure.

First—the cost of imports. I have already pointed out that the general Canadian price level is below that of almost every other country in the world. Canada cannot control the prices of things we have to import, and many of our imports are of really essential importance to our economy. The prices of many of our basic imports have been rising at extraordinary rates during the past two years.

To take petroleum as an example, mid-continent crude has gone up more than 90 per cent in the past 20 months.

Vegetable oils, from which we get most of our soap and shortening, cost from 4 to 7 cents a pound pre-war; two years ago we paid 10 to 12 cents; now we pay anywhere from 20 to 37 cents a pound, or five times pre-war.

Hides, certain grades of which we have to import, are about three times pre-war, and have advanced over 50 per cent during the past year.

Cocoa beans before the war were about 7 cents a pound; our price ceiling found them at about 11 cents; when we decontrolled cocoa and chocolate a year ago, they had reached 24 cents; later in the year they crossed 50 cents, and now they are about 42 cents, or six times pre-war.

Before the war raw cotton was $8\frac{1}{2}$ cents a pound; it was about 11 cents when our ceilings were imposed; it has been as high as 39 cents during the past year; it is now about 33 or 34 cents, or four times pre-war.

I do not say these are average cases, they are some of the more striking examples; but they are all basic commodities that we have to import, and for which we must pay the world price or go without.

Secondly—external prices largely determine the prices of our principal export commodities. The recent sharp increase in pork prices was directly related to the new and higher export price. Base metals are another striking example. The pre-war price of copper was about 10 cents a pound, it is now 21; zinc and lead world prices were about 4 cents pre-war, they are now 10 and 14 respectively. Similar figures, differing only in degree, could be given for almost all our export commodities of the farm, the forest, the mines, and the sea.

The Canadian prices of all these things, and indeed the whole Canadian price level, could not be insulated from these external forces except by an elaborate and continuing system of export controls by licence and permit or by a government monopoly of the selling; and by a very complicated system of import subsidies and import allocations, and government monopoly of the buying.

Thirdly, there are the primarily internal factors affecting prices.

Almost all costs of production have gone up. There are a great many elements in any cost of production—materials, labour, administration, selling and fixed overhead. I have already referred to the costs of materials. Labour costs have gone up, how much it is very hard to say. There are a great many variables in the equation of wage rates and unit labour costs. It all depends on

"productivity". Productivity in turn depends upon the combined efficiency of labour and of management. Wage rates can go up and unit labour costs come down; and lower wages are not infrequently associated with higher unit labour costs. It seems reasonably certain that on the whole unit labour costs in Canada have gone up, but the amount of increase will vary considerably from firm to firm, and from industry to industry. Administration, selling and fixed overhead expenses have undoubtedly gone up in total amount, and probably also on a per unit basis.

During the past two years we have been developing a real economic boom, particularly in the field of consumer and industrial capital expenditures. The pressure of demand upon the supplies of labour, materials and equipment used in industrial expansion has been and still is intense. This has produced a level of demand that is not too concerned about price—that is inclined to regard price as a secondary consideration.

The timing of the various steps in the decontrol program has left its record on the cost-of-living index. A considerable part of the rise in the index over the past two years has been due to the cessation of subsidy payments—how much it is literally impossible to estimate. The direct effect of some of the flat rate subsidies on simple commodities can be stated; for instance, the two flat rate subsidies on fluid milk totalled $3\frac{1}{2}$ cents a quart which is the equivalent of 1.54 points on the index. The direct subsidy on creamery butter was $8\frac{1}{2}$ cents a pound or 1.0 points on the index. But there were also indirect subsidies affecting these commodities—on the coal used for power, on the gasoline used for delivery trucks, on the cotton fabric in the tires, on the wooden butter boxes at the creamery, on the tin in the milk cans, and so on.

Under the price ceiling policy various squeezes were imposed on dealers' margins; when the ceiling came off there was a tendency for margins to resume their natural shape. Under the price ceiling policy we refused to authorize price increases on manufacturers' items that were being produced at a loss as long as the company's over-all profit position was satisfactory. When controls were removed there was a tendency for manufacturers to lift such items out of the red.

This leads me to a passing comment on the principle of percentage mark-up. In normal times, with moderately fluctuating prices, there are good accounting reasons for pricing on the basis of standard or accepted percentage mark-ups. But when a commodity or a group of commodities advances suddenly and sharply the adherence to traditional mark-ups unquestionably inflates the final consumer price, and creates abnormal returns for the manufacturer or dealer.

I should like to emphasize, however, that even if the price ceiling policy had been continued in full effect there would almost certainly have been a very considerable rise in prices. To have held the old ceilings in the face of increases in both domestic and import costs would have involved enormous increases in total subsidy payments, and at the same time could not have avoided hampering and restrictive effects on production.

At present there are ceiling prices in effect on sugar, the principal canned fruits and vegetables, butter, oils and fats (including soap and shortening), cabbages, some fertilizer materials, primary iron and steel, tin, and residential rents.

At the risk of appearing a bit academic may I conclude with a few brief comments on what is really a fundamentally important subject—the purpose and nature of the price system.

Our economic system can be fairly accurately described as a "free economy". It is based, by and large on individual freedom—freedom of production, freedom of employment, freedom of contract, and freedom of choice. Subject only to a rather limited range of laws and regulations, the individual citizen has full legal freedom (and a very large measure of practical freedom), to decide how,

when and where he will work, what he will buy and sell, and when and how he will spend whatever money he can command. There is a broad distinction between three types of society; the society based on birth, caste or "status" (such as existed in the classical, mediaeval and oriental worlds); the totalitarian society organized on the basis of centralized State controls, where the State decides how you shall be employed and what things are good for you; and, thirdly, the society organized on the principle of freedom of choice and freedom of contract. No economic system, of course, is completely stratified, completely controlled, or completely free; but it is not hard to decide which principle predominates any given society at any given time.

A "free economy" is predominantly based upon and organized by a system of free prices—free, that is, within the general framework of the law. In a free economy, prices constitute the main guide to production, and are at the same time the balance-wheel of supply and demand. Rising prices for one commodity indicate relative shortage and invite both increased production and economy in consumption; falling prices, in turn, indicate relative surplus and produce a tendency to ease up on production and to increase consumption. In other words, it is this constant flexibility of prices that helps to keep production and consumption in reasonable balance and harmony.

If a community embarks upon a system of fixed or administered prices, it must invent some substitute for the flexible price system as a means of finding out what people really want, and what they want more of, and what they want less of. Failing such a substitute, the principle of freedom tends to disappear, and the government has to decide what will be produced and in what quantities. The free price system has many imperfections, but there has not yet been developed any other system that will preserve in essence what I call a "free economy."

Administered or government-determined prices inevitably entail considerable government control over the details of production and distribution. And the wider the range, and the longer the duration of administered prices the more detailed must these controls become.

I think I should emphasize, out of a considerable background of experience, that the fixing of a price is only the beginning of price control. During the war years we found that the making of actual price decisions was not too difficult, and formed only a minor part of our work. It was the efforts to assure supply, to estimate what was needed, to see that things were fairly distributed, to protect the consumer against upgrading or degradation of quality, it was the interminable investigating, checking and blocking of loop-holes for evasion that made up by far the larger part of each month's work.

None of this is an argument against price controls in emergencies, when prolonged physical shortages of goods are inescapable. But I do suggest that these considerations should be carefully weighed whenever any broad extension of continuing government price fixing is proposed.

Another aspect of the price system that may be of interest to the committee is what may be called the price structure, as distinct from the price level. Recently prices have been rising rather rapidly. But not all prices rise at equal rates. Indeed some prices in Canada today are lower than they were two years ago or twenty years ago. There are even a few prices that are lower than they were in August 1939. Household electricity and gas rates are 15 per cent and 3 per cent respectively below what they were in the immediate pre-war period.

In December 1947 the general level of wholesale prices was 43 per cent above 1926. But some things like lumber and vegetable oils were $2\frac{1}{2}$ times what they were 20 years ago; and other things such as rubber products, furs, rayon products, and quite a variety of chemicals were 10 to 40 per cent below what they were in 1926.

Or again, Canadian wholesale prices on the average in December 1947 were 39 per cent higher than in December 1945. But vegetable oils, hides and skins, cotton textiles, lead and zinc had almost doubled or more than doubled in price in those two years; while fresh fruit, rubber tires, furs, and most crude drugs and medicinal chemicals, had declined by five or ten or as much as forty per cent.

These striking disparities in price behaviours are to be explained very largely in terms of special or technical events. The point I should like to emphasize is that things that have doubled in price are not necessarily being sold at an excessive price; and conversely things that have fallen in price or risen much less than the average could still be unjustifiably high.

There is also a general proposition that flows from such facts as those I have just referred to. It is that prices and price relationships are constantly between one group or class of commodities and another group or class have no long run validity.

MEMORANDUM FOR SELECT COMMITTEE ON PRICES

The following tables compare the United States "Index of Consumer Prices" and the Canadian "Cost-of-Living Index." Both take the average of 1935-1939 prices as equal to 100. The Canadian index is for the first business day of each month; the United States index is for prices on the 15th day of each month. In the following tables the United States figures are for December 15, 1947, and the Canadian figures are the average of December 1st, 1947 and January 2nd, 1948.

December Index Numbers (1935-39=100)

	Canada	United States
Total Index	147.1	167.0
Foods	180.5	206.9
Dairy Products	188.4	204.9
Eggs	167.5	236.1
Meats and Fish	203.8	227.3
Cereals	138.6	170.5
Dry Groceries	164.2	
Beverages		198.5
Fats and Oils		208.5
Sugar and Sweets		183.7
Vegetables	190.1	
Fruits	165.6	
Fruits and Vegetables		205.3
Rentals	119.9	115.4
Fuel and Light	120.3	127.8
Clothing	160.3	191.2
Home Furnishings	156.7	191.4
Miscellaneous	121.2	144.4

Actual Average Retail Prices (December, 1947)

		Canada cents	United States cents
Dairy Products			
Milk	Imp. Qt.	16.5	25.0
Butter	lb.	68.2	95.4
Cheese	$\frac{1}{2}$ lb.	26.3	30.7
Eggs	doz.	57.5	81.8
Meats			
Round Steak	lb.	48.7	79.9
Rib Roast	lb.	48.2	66.7
Lamb (leg)	lb.	47.8	63.8
Bacon	lb.	64.1	87.2
Shortening	lb.	30.7	45.6
Lard	lb.	27.7	36.2

		Canada cents	United States cents
Cereals			
Bread	lb.	8·6	13·6
Flour	lb.	5·9	10·8
Rice	lb.	19·3	20·8
Rolled Oats	lb.	9·2	13·4
Corn Flakes	8-oz. package	12·7	11·7
Dry Groceries			
Granulated Sugar	lb.	9·4	9·9
Coffee	lb.	55·7	49·8
Vegetables			
Beans	lb.	14·8	22·5
Onions	lb.	7·5	10·8
Cabbage	lb.	8·3	9·0
Carrots	lb.	6·9	15·0
Potatoes	peck	59·0	79·9
Canned Tomatoes	28-oz. tin	25·9	23·4
Canned Peas	20-oz. tin	17·2	15·4
Canned Corn	20-oz. tin	21·0	19·3
Fruits			
Prunes	lb.	20·1	22·3
Canned Peaches	20-oz. tin	30·3	22·3
Oranges	dozen	39·1	37·7
Bananas	lb.	16·3	15·6

The CHAIRMAN: Gentlemen, you have the statement of Mr. Taylor before you. Mr. Taylor is now at our disposal for interrogation. I should have asked Mr. Taylor one question at the beginning.

By the Chairman:

Q. You told us at the beginning you were chairman of the Wartime Prices and Trade Board but as your statement itself suggests you have had considerable experience in this matter. You have been with the Wartime Prices and Trade Board for some years.—A. Yes.

Q. In what capacity?—A. I was appointed Secretary of the Board on September 4, 1939. I became Foods Administrator in February, 1943, Deputy Chairman in October, 1944, I think, and Chairman in April, 1947.

Mr. MAYBANK: Mr. Chairman, just to make sure our records are kept in the way we want them, I believe we took the other tabulations as exhibits to be printed as appendices, but this tabulation which accompanies Mr. Taylor's brief should, I think, be printed right with the brief, probably immediately following it. It is short and the brief is not so easily understood unless the tabulation is close to it. Would it be agreeable to do it that way?

The CHAIRMAN: I think so, but it ought to be put in formally and with a note of explanation.

The WITNESS: The details of the American index for December 15, only became available yesterday so it was only then I was able to have this table compiled comparing both indexes and the actual prices so far as they are available in the United States index on consumer prices and the Canadian cost-of-living index. They are both on the same basis, 1935 equals 100. The Canadian index is taken for the first day of each month and the American index is for the 15th day of each month. I therefore took the liberty of averaging the December 1st and January 2nd Canadian prices to get a mid point so as to get, so far as it is reasonably possible to do so, a close comparison between prices in Canada and the United States in mid-December.

I have them, in the first part of the table, in index numbers. You will notice the Canadian classifications and the American classifications do not exactly jibe. Therefore, you will find blanks in one column or the other. What we call dry groceries in Canada is split up in the United States between beverages, fats and oils, sugar and sweets. We have a separate vegetable and fruit index and they lump it together.

I should also explain, Mr. Chairman, in so far as the actual average retail prices are concerned, I have taken the liberty of adjusting them to comparable containers. There are very few of those, but I have adjusted the American prices to the Imperial quart because the American price quotes the American quart. You have to add one-sixth, I think it is, to the American price to get the equivalent of an Imperial quart of milk. They quote cheese by the pound so I cut their price in half to compare it with our half pound. Their cornflakes are in a larger container, so I adjusted the price to the eight ounce container. Those are the official, national averages in cents per pound or per quart as the case may be as of mid-December in each country.

The CHAIRMAN: I think we will all agree with the suggestion made by Mr. Maybank that this be printed immediately following the statement in the record, for the convenience of those who will be following this record. I shall presume that suggestion meets with your approval unless I hear something to the contrary.

Agreed.

By Mr. Irvine:

Q. I should like to ask a question in clarification before we commence questioning on the substance of the brief. On page 7, the last paragraph but one, it is stated that,

At present the only subsidy we are still operating is on oils and fats. I presume that refers specifically to the Wartime Prices and Trade Board. For instance, are there not subsidies on steel and subsidies on freight as well as other subsidies?—A. Yes, Mr. Irvine, and perhaps I should make it clear that in preparing this statement, as Chairman of the Wartime Prices and Trade Board, I did not feel I should make statements of fact about subsidies to be paid by munitions and supply or by the Department of Agriculture. If the committee wants me to do so, I may say there are, I understand, certain subsidies in the field of iron and steel. I think there are still some on coal, though I would not be sure of that. Certainly, the seed grain freight subsidy from prairie points, both east and west, to B.C. and eastern Canada, is being paid.

At the moment, I cannot recall any others. What my formal statement implies is that the Wartime Prices and Trade Board is operating only the oils and fats subsidy today.

By the Chairman:

Q. There is a subsidy on some ship transport, too, is there not?—A. There are many subsidies or subventions or quality bonuses. It is a little difficult to know which is which. I believe the government, as I understand it, speaking with some diffidence as a civil servant on this point, does not regard the quality bonus on cheese, for example, as a subsidy. It is a means of improving the quality of the cheese. The same thing is true in connection with hogs. I believe that has been going on for a good many years, long before the war. It is paid by the provinces as well as by the federal government.

There are subventions, as they are sometimes called, on certain ship lines.

Mr. LESAGE: Steamship subsidies?

The WITNESS: I think all subsidies, subventions or bonus payments or quality payments, must have varying degrees of effect on prices or on cost. It is probably possible to draw a distinction between subsidies where the intent is to affect the price rather than attempt to do something else.

By Mr. Fleming:

Q. May I ask Mr. Taylor if the Wartime Prices and Trade Board expected or anticipated the recent rise in the cost of living?—A. Well, Mr. Fleming, the

Wartime Prices and Trade Board never had prophecy under its control. What I mean is this; we are naturally, like any other group, trying to look ahead. Again, the question of the time at which you make your estimate or at which you have your reflections would certainly have an effect.

It was felt that, just after the cessation of hostilities, it would be possible to get through the post-war readjustment period without a major or almost revolutionary change in the price structure. As time went on, conditions have worsened in many parts of the world. You have had price increases which are probably more substantial in the last twelve months than almost any well-informed person would have thought probable two years before that.

Q. I do not know yet how we are going to define the word "recent". The chairman can make a pronouncement on that sometime no doubt. However, looking at the year 1947 we had an increase of 21·2 points in the cost of living and, while I have not before me the precise figures on the increase within the last three or four months, I think if I remember rightly, the rate of increase accelerated perceptibly. Certainly, in December, the food index jumped three and a half points alone. I am wondering if the Wartime Prices and Trade Board, being actually concerned with this whole question, was surprised at the increase in the cost of living?—A. Well, I find it difficult, Mr. Chairman, to separate what you might call the views of the board. There would be a wide variation of opinion on that.

Q. Give us both, then; whatever way you like, Mr. Taylor.

The CHAIRMAN: I do not think we are really concerned with personal opinions, are we?

Mr. FLEMING: I do not care if the views of the chairman do not necessarily represent those of the whole board. All I am concerned with now is that it is a matter which comes directly within the realm of the interests of the board, and whether there was surprise on the part of the board at the course of events or, at least, at the trend of the cost of living in recent months?—A. Well, if I may say what went through my own mind twelve months ago, with the trend of external prices and the way they were going at that time, I recall forming a personal judgment that if it should be the policy to decontrol during what I would call the 1947-48 season, ending March 31, 1948, the index of 1945 was pretty well in our minds as what would be the level at the end of the year. You adjust that from time to time and in some cases the increases are a good deal higher than one might have forecast. In other cases the increase is not so great. Some of the external prices are going up much more rapidly. I know all the trade felt that we decontrolled cocoa prices at a time when they were very high and there was a good deal of dismay in the trade when cocoa hit 24 cents after being 11 cents. I am sure nobody in the cocoa trade expected cocoa to hit 50 cents in 8 months but it did.

Q. The board follows closely, I suppose, the trend of prices in commodities entering into the cost of living?—A. Yes, but we do not concentrate on that particular group of commodities.

Q. Do you make any independent inquiries or does the board make any independent inquiries on its own or does it simply take the figures from the Dominion Bureau of Statistics?—A. We rely on the Dominion Bureau of Statistics for the average but we are constantly checking on individual prices on the basis of complaints. Certainly when we had ceilings we had our price investigators in the field taking prices both wholesale and retail and we have done a good deal of checking of that sort. Those checks are however, more in relation to the individual sellers prices. We never try to duplicate the work of the Dominion Bureau of Statistics in compiling general levels of prices or averages of prices.

Q. Has the board kept any records dealing with price trends over shorter periods than a month? You heard what Mr. Marshall said this afternoon to the effect that the Dominion Bureau of Statistics does not attempt to break down its statistical data into periods of less than one month.—A. Yes, we have a considerable amount of material of a specialized sort. It exists much more in the form of what I would call office work sheets rather than formal reports for tabulation. For example we kept an almost daily check in certain markets on the behaviour of meat prices during the period immediately following the new United Kingdom contracts. We nearly always kept quite detailed notes and reports of the course of prices of the things we decontrolled for a period of a month or so after that time.

Q. I take it the records you have would not be confined to the items that were under control or had just been decontrolled because I presume you were thinking of the enforcement of prices of all commodities, controlled or decontrolled? Is that a fair statement?—A. Yes, we have done a good deal of that kind of checking. It has chiefly been along lines of following through on complaints or following through our market reports of substantial increases.

Q. Now you have indicated that you have some studies of the price trends that followed the agreement on prices with Britain and the new food contracts. Are you in a position to put those before the committee?—A. Not at this moment.

Q. You could get them?—A. Yes.

Mr. McCUBBIN: What was that question?

Mr. FLEMING: I am sorry if I am not speaking up. The witness has indicated that the board kept some record of price variation on commodities affected by the new food contracts with Britain to determine their effect and I am asking for those records. The records are available I understand him to say, but he has not brought them here. He can make them available.

The WITNESS: Yes, we asked our foods officers, particularly in eastern Canada, to do spot checking on both the wholesaler's meat prices and on the retail meat prices. Now we run into this one technical complication that when you have a retail price ceiling on meat you can only have such a ceiling by means of standardization of cuts. A carcass of beef varies greatly in the quality, desirability, and in the customary price relationship from the neck to the tail. There are various cuts of beef that sell at different prices. With an enforced price ceiling on beef you have to make it compulsory for a butcher to cut a carcass in just a certain way. There is a very detailed order that we use. In fact when we had price ceilings on meat we had a chart specifying exactly how the carcass was to be cut, how many ribs go into this cut and how many into that, and so on. The chart was attached to the order. Now, when price ceilings on meat were lifted we found many butchers reverting to their own personal preference or the preference of their customers as to how they cut the carcass and it is a little difficult to determine whether you are getting a wing roast, or a chuck roast, or some of the other technical terms, I just do not know them.

The CHAIRMAN: Mr. McCubbin will be of help to you there.

The WITNESS: The imposition of a ceiling on meat was very technical and from the butchers' point of view a very rigid restriction in that it was not easy to get comparable prices. A man might call a certain cut a rib roast when it might be well up towards the neck where it is composed of cheaper meat, when it should have been down toward the last ribs. For this reason the reports that we have are not of the same degree of reliability, shall I say. We had men go into the butcher shops and get the prices of various cuts. They made notes and reported to us.

Mr. FLEMING: As the result of those investigations, with such imperfections as you had in them, are you in a position to make any statement, Mr. Taylor, as to what you consider has been the effect on prices of the agreements with Britain on commodities that were subject to the agreement?

The WITNESS: It is quite clear that the effect of the new United Kingdom bacon contract was to raise the price of a Wiltshire side by 25 per cent. It went from \$29 to \$36 a hundred which is a matter of 7 cents on 29 or very close to an increase of 25 per cent. That increase is for the whole side of a carcass. You know what the Wiltshire side is. When you come to the prices of the individual cuts there are certain parts of a carcass which sell at a very moderate price. The consumer just will not pay any more for the feet, and, in the case of beef, for the shanks or what is called stewing meat. It has always been the practice to distribute the increased price over the whole carcass in varying proportions for the different cuts. In our own experience during the war on a number of occasions when the base price of the carcass was raised we did not raise each individual cut pro rata. We allotted the increase to those parts of the carcass which, to use a colloquialism could stand the increase.

The CHAIRMAN: Mr. Winters you have something?

Mr. WINTERS: Yes.

Mr. FLEMING: I do not want to monopolize the questioning but perhaps the witness could just finish. He has dealt with bacon in reply to my question. What would you say about the other items covered by the contracts with Britain?

Mr. MAYBANK: You will not have time to get all the way around the carcass and the other animals as well before evening.

The WITNESS: Briefly the beef increase was $3\frac{1}{4}$ cents, was it not? The price went up from about 22 cents to approximately $25\frac{1}{4}$ cents for a good quality beef carcass. That was an increase of about 12 per cent.

The CHAIRMAN: I suggest we put some chains on the carcass, hold him together and discuss him tomorrow morning.

By Mr. Fleming:

Q. Could Mr. Taylor bring those studies with him tomorrow?—A. It is not my business to advise the committee how to conduct its affairs.

The CHAIRMAN: We like to have your advice.

The WITNESS: When you get into a matter as technical as meat you should have somebody here who speaks the language.

The CHAIRMAN: Mr. Grisdale.

The WITNESS: Probably Mr. Grisdale. Mr. Grisdale will also have to tell you that these prices that we have, these checks, probably have certain disadvantages from the point of view of evidential value, and while you can get a broad picture of the thing from something he may have to say if you want to find out what a particular wholesale company was charging for a certain type of meat I think you would have to call the company. These matters are often handled by telephone. We can call quickly by telephone the different wholesale meat dealers in Toronto and Montreal and get quotations. Sometimes they check by telephone and sometimes by personal call on retail stores.

The CHAIRMAN: We will look into that. There are two gentlemen on the committee who have been signalling for some time, Mr. Winters and Mr. Cleaver.

Mr. IRVINE: We will surely have the witness again tomorrow.

Mr. CLEAVER: I have some information I would like him to bring, if I may have one minute. Mr. Taylor, when removing price controls I would anticipate the board would keep an eye on the prices after the control has gone off. Can you give the committee information as to any commodities that you believe increased in price unreasonably after the controls went off?

Mr. IRVINE: What is unreasonable?

Mr. CLEAVER: I am not suggesting that you should do it now but would you mind looking over your records and bringing to our next committee meeting any startling or glaring instances of unreasonable price increases when price controls were removed.

The WITNESS: I think I should make one comment on that. First of all we reimposed a number of ceilings where we felt that a serious tendency was being demonstrated. Then it has never been our policy even during the war to prosecute on the very first indication of things getting out of line. It is nearly always done by a warning, by bringing to the man's attention the level of the prices. I do not know just how much we have done. We try to avoid what I call an excessive amount of paper work in our administration. A good deal of it would be a matter of telephone calls. I have known lots of cases where Mr. Grisdale has got a man on the phone and said, "This seems to require an explanation", and as a result of the telephone conversation the price may have come down or something of that sort. There is a good deal of that.

Mr. CLEAVER: What I had in mind was can you give us any leads as to where we should go looking for excessive price increases?

Mr. MACINNIS: I do not think the question asked by Mr. Cleaver, if he will pardon me, will bring out the information as we should have it. I do not think it is up to Mr. Taylor to bring before us what he thinks are unreasonable prices. I think the thing to do is that where a control has been removed he should give us the price when the control was removed and the price after the control was removed and up to the time the control was restored again. Then the committee can decide as to whether or not the increase in price was reasonable or unreasonable.

Mr. CLEAVER: My point is that I think the board is seized with much more information than we have as to costs.

The CHAIRMAN: I suggest we give consideration to both Mr. Cleaver's suggestion and Mr. MacInnis' reply. There may be some mid-way position by which we can receive some direction without in any way withdrawing from the committee its prerogatives of judgment.

I should like to say before adjournment for the convenience of the gentlemen of the press who are here that I had the president of the press gallery come to see me after the previous sitting today. He wanted us to facilitate getting the verbatim record as quickly as possible. I understand Mr. Howe has arranged to have three extra copies run off to try to give some assistance to the press in making the verbatim record available earlier than would otherwise be the case. We will adjourn until tomorrow morning at 10.30.

The committee adjourned at 6.05 p.m. to meet again on Thursday, February 12, 1948, at 10.30 a.m.

(NOTE: An appendix to this day's proceedings has been printed, containing "Statistical Memorandum on prices, price indexes and other data" filed as Exhibit No. 1.)

Sou. Doc
Can
Com
P

SESSION 1947-48
HOUSE OF COMMONS

SPECIAL COMMITTEE
ON
PRICES

APPENDIX)
TO MINUTES OF PROCEEDINGS AND EVIDENCE
No. 1

WEDNESDAY, FEBRUARY 11, 1948

STATISTICAL MEMORANDUM ON PRICES, PRICE INDEXES
AND OTHER DATA

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



CONTENTS

	PAGE
I. <i>The Meaning of Index Numbers—</i>	
Table 1—Selected Wholesale Prices and Indexes.....	2
Table 2—Selected Retail Price Indexes.....	4
II. <i>Historical Data—</i>	
Table 3—Wholesale Price Indexes and Main Groups, 1913-1947	7
Table 4—Cost-of-Living Indexes and Main Groups, 1913-1947.	11
III. <i>Comparison with other Countries—</i>	
Table 5—Wholesale and Retail Price Indexes in Canada and Other Countries.....	14
IV. <i>Recent Price Increases—</i>	
Table 6—Selected Wholesale Price Indexes, December, 1945 to January, 1948.....	17
Table 6(a)—Point changes in the General Wholesale Price Index, December 1945 to December, 1947.....	26
Table 7—Sub-groups in the Cost-of-Living Index, December, 1945 to January, 1948.....	29
Table 7(a)—Point changes in the Cost-of-Living Index, Decem- ber, 1945 to January, 1948.....	30
Table 8—Individual food prices at January, 1948 and their increases since August, 1939 and December, 1945.....	31
V. <i>Farm Costs and Receipts—</i>	
Table 9—Price Index Numbers of Commodities and Services used by Farmers.....	33
Table 10—Index Numbers of Farm Prices of Agricultural Products.....	34
VI. <i>Income Data—</i>	
Table 11—National Accounts, 1938-1947, Income and Expendi- ture tables.....	36
Table 12—Wages, Salaries and Supplementary Labour Income, 1938-1947, and 1946-1947 by months.....	40
Table 13—Net Income of Agriculture by Provinces, 1938-1946.	41
Table 14—Index Numbers of Hourly Wage Rates, 1913-1946..	42
Table 15—Average Weekly Earnings, 1941 to 1947.....	43
Table 16—Average Weekly Earnings Index and Cost-of-Living Index, June, 1941 to 1947.....	44
Table 17—Employment Indexes, by Industry, 1938-1947.....	45
VII. <i>Appendix: Cost-of-Living Index, Construction and Weighting Detail.....</i>	46

I. The Meaning of Price Index Numbers—

Price index numbers are averages of separate price increases. If bread goes up 10 per cent and milk 20 per cent, the average increase is 15 per cent and the index number is 115. In practice, separate items are weighted according to their relative importance. In the above case, if milk purchases were twice the value of bread purchases, the weighted average would be 2×20 per cent for milk plus 1×10 per cent for bread, which adds up to 50 per cent, and this divided by 3 (the sum of the weights) equals 17 per cent. The index number would be 117.

The following table shows in more detail how the Canadian general wholesale price index is constructed. Only the thirty largest items have been selected. The general wholesale price index contains approximately 500 individual prices and a variety of groupings.

TABLE 1.—SELECTED WHOLESALE PRICES AND THEIR WEIGHTED AVERAGE

—	Unit	1935- 1939 Price	1948 January Price	Relative Price	Weight	Product
Wheat No. 1 Manitoba Northern, Fort William and Port Arthur, cash closing, domestic use.....	bushel	\$ 0.956	\$ 1.585	165.8	10	1,658.0
Flour 1st Patent, f.o.b. Ont. and Mont- real, Lake and Rail points, car- lots, domestic use.....	barrel 2/98's cotton	5.935	8.55	144.1	5	720.5
Bread, unwrapped at Toronto.....	pound	0.055	0.069	125.5	3	376.5
Sugar, standard, granulated, f.o.b. Montreal.....	cwt.	4.894	7.893	161.3	3	483.9
Potatoes, Quebec whites, Montreal...	75-lb. bag	0.867	2.177	251.1	1	251.1
Hay, timothy No. 2—good No. 2 baled carlots at Toronto.....	ton	11.103	23.00	207.2	1	207.2
Steers, good up to 1,050 pounds at Toronto.....	cwt.	6.173	14.976	242.6	2	485.2
Hogs B1 Dressed, delivered off trucks, Toronto.....	cwt.	11.967	26.15	218.5	1	218.5
Bacon, smoked, maximum weight, 14 pounds at Toronto.....	pound	0.2564	0.551	214.9	1	214.9
Milk, fluid, price paid to producers, delivered at dairy Toronto.....	100 pounds	2.132	4.00	187.6	2	375.2
Butter, first grade creamery prints, jobbing price at Montreal.....	pound	0.263	0.695	264.3	2	528.6
Grey cotton 36" wide, 4 yds. to pound, f.o.b. mill.....	yard	0.0937	0.234	249.7	2	499.4
Fancy worsted suiting 64's quality 13-14 oz. per yard, 58-60" wide 60 ends 53 picks, per inch 2/30 worsted yarn decorated with 2/50 spun rayon, f.o.b. mill.....	yard	1.462	3.479	238.0	1	238.0
Newsprint paper rolls, f.o.b. Canadian mills (C.F.).....	ton	38.288	85.44	223.2	7	1,562.4
Spruce 1 x 6, f.o.b. mill, N.B.....	M bd. ft.	19.604	59.00	301.0	1	301.0
Pine No. 1 and 2 common 1 x 8, f.o.b. Montreal.....	M bd. ft.	43.362	91.00	209.9	1	209.9

TABLE 1.—SELECTED WHOLESALE PRICES AND THEIR WEIGHTED AVERAGE—*Concluded*

	Unit	1935- 1939 Price	1948 January Price	Relative Price	Weight	Product
		\$	\$			
Fir dimension S1S1E or S4S No. 1 2 x 4 and 2 x 6 16' to wholesalers carlots, f.o.b. mill, B.C.....	M bd. ft.	16.01	50.00	312.3	1	312.3
Cedar shingles XXXXX, f.o.b. mill western wholesale carlots (Canadi- an funds).....	square of 4 bundles	2.377	10.50	441.7	1	441.7
Pulp, groundwood No. 1 air dry, delivered.....	ton	29.993	81.00	270.1	1	270.1
Unbleached sulphite pulp, news grade air dry, f.o.b. mill.....	ton	47.049	125.00	265.7	1	265.7
Structural steel shapes, base, f.o.b. cars, plant Ontario.....	100 pounds	2.200	3.40	154.5	6	927.0
Steel scrap, charging box size (i.e. not more than 5 ft. long, not wider than 16" and not less than ½" thick, delivered at consuming mill in Canada.....	gross ton	12.549	23.00	183.3	1	183.3
Wire nails, base carlots to jobbers, f.o.b. sellers' works, Ontario.....	keg of 100 lbs.	3.194	4.698	147.1	1	147.1
Copper, electrolytic, domestic, car- lots, f.o.b. refinery.....	100 lbs.	10.59	21.25	200.7	2	401.4
Lead domestic, carlots, f.o.b. refinery.	100 lbs.	4.559	13.49	295.9	1	295.9
Coal, American bituminous, run-of- mine, carlots to retailers, ex yard Montreal.....	ton	6.159	10.53	171.0	1	171.0
Coal, bituminous, run-of-mine, f.o.b. mines, N.S.....	ton	5.333	6.98	130.9	1	130.9
Coal, American anthracite egg, car- lots, f.o.b. Toronto.....	ton	10.459	14.95	142.9	1	142.9
Gasoline, regular grade, tank wagon at Toronto.....	gallon	0.155	0.210	135.5	3	406.5
Sulphuric acid 66° tank cars, f.o.b. works Ontario.....	ton	16.40	18.00	109.8	1	109.8
Tires, synthetic balloon passenger, 600/16 4-ply, first grade, f.o.b. branch warehouse.....	each	12.407	14.30	115.3	2	230.6
TOTALS.....					67	12,766.5
Weighted Average or Index,						190.5

TABLE 2.—SELECTED RETAIL PRICE INCREASES, 1935-39 TO JANUARY, 1948

Item	Price Relative 1935-39 to January, 1948	Weight	Product
Milk.....	154.1	4.1	631.8
Butter.....	237.5	3.0	712.5
Eggs.....	170.8	1.4	239.1
Blade Roast.....	221.0	0.6	132.6
Pork, fresh loins.....	192.0	0.8	153.6
Bacon.....	190.6	0.8	152.5
Bread.....	142.3	2.6	370.0
Sugar.....	151.6	0.6	91.0
Potatoes.....	232.0	0.7	162.4
House Rent.....	119.9	9.5	1139.1
Coal.....	146.6	2.7	395.8
Electricity.....	84.8	0.9	76.3
Men's topcoat.....	146.1	0.4	58.4
“ suit.....	187.6	1.5	281.4
“ socks.....	154.1	0.5	77.1
“ shirt (dress).....	187.0	0.3	56.1
Women's coat, winter.....	140.3	0.5	70.1
“ house dress.....	152.1	0.2	30.4
“ hosiery, rayon.....	147.1	0.5	73.5
Men's work boots.....	146.3	0.5	73.1
“ oxfords.....	140.6	0.3	42.2
Women's shoes.....	156.9	0.7	109.8
Dining room suite.....	172.1	0.5	86.1
Bedroom suite.....	201.3	0.4	80.5
Furnishings (sheets, towels, etc.).....	183.9	1.4	257.5
Telephone.....	103.3	1.4	144.6
Medicines.....	114.1	1.0	114.1
Doctor's fees.....	121.9	1.8	219.4
Barber's fees.....	166.8	0.7	116.8
Motor operating costs.....	122.1	3.7	451.8
Street-car fares.....	104.2	1.6	166.7
Tobacco.....	136.4	3.0	409.2
Totals.....		48.6	7175.5

Weighted Average or Index

$$\frac{7175.5}{48.6} = 147.6$$

NOTE: A complete list of items and weights is given in the appendix.

These give an index of 148.3 at January 2, 1948.

II. Historical Data—

The following tables and chart show the course of wholesale and retail price indexes and their main sub-groups, from 1913 to the present time. They show the inflation after World War I and again after World War II. After the sudden and sharp inflation following World War I, there was a downward readjustment of prices which soon levelled off to a plateau that lasted until 1929.

In addition to the long annual series of Wholesale and Retail price indexes, there are also tables for the past 25 months.

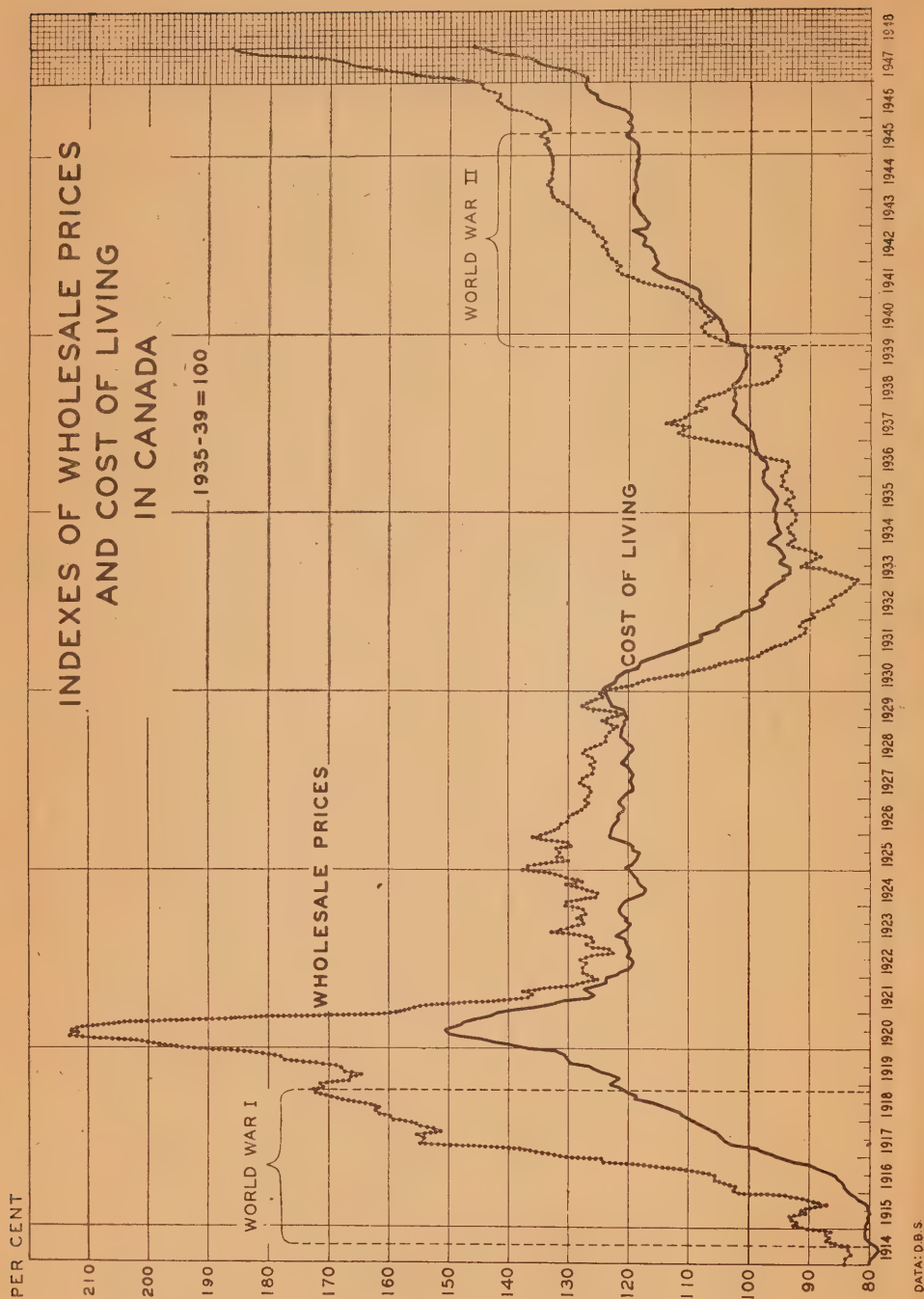


TABLE 3.—GENERAL WHOLESALE PRICE INDEX AND MAIN GROUPS, 1913 TO 1947
(1926=100)

	General Index	Vegetable Products	Animals and Their Products	Fibres, Textiles and Textile Products	Wood, Wood Products and Paper	Iron and Its Products	Non- Ferrous Metals and Their Products	Non- Metallic Minerals and Their Products	Chem- icals and Allied Products
1913.....	64.0	58.1	70.9	58.2	63.9	68.9	98.4	56.8	63.4
1914.....	65.5	64.8	72.6	56.9	60.3	67.3	94.7	53.7	65.3
1915.....	70.4	75.5	74.0	58.3	56.5	73.9	106.9	52.7	68.1
1916.....	84.3	87.0	85.0	77.6	64.0	104.6	135.1	58.0	78.0
1917.....	114.3	124.5	110.4	114.6	79.8	151.8	143.9	71.6	98.1
1918.....	127.4	127.9	127.1	157.1	89.1	156.9	141.9	82.3	118.7
1919.....	134.0	136.1	140.8	163.8	109.6	139.1	133.5	93.6	117.5
1920.....	155.9	167.0	145.1	176.5	154.4	168.4	135.5	112.2	141.5
1921.....	110.0	103.5	109.6	96.0	129.4	128.0	97.0	116.6	117.0
1922.....	97.3	86.2	96.0	101.7	106.3	104.6	97.3	107.0	105.4
1923.....	98.0	83.7	95.0	116.9	113.0	115.8	95.3	104.4	104.4
1924.....	99.4	89.2	91.8	117.9	105.9	111.0	94.8	104.1	102.5
1925.....	102.6	100.6	100.3	112.5	101.6	104.5	103.9	100.3	99.6
1926.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1927.....	97.7	98.3	101.9	93.7	98.5	96.2	91.5	96.5	98.3
1928.....	96.4	93.0	108.1	94.5	98.7	93.2	92.0	92.5	95.3
1929.....	95.6	91.6	109.0	91.3	93.9	93.7	99.2	92.9	95.4
1930.....	86.6	77.7	99.1	81.8	88.7	91.1	80.7	91.3	92.8
1931.....	72.1	56.9	73.9	73.4	79.1	87.4	64.6	86.5	86.7
1932.....	66.7	54.8	59.7	69.7	69.1	86.3	59.0	85.5	83.9
1933.....	67.1	59.3	59.4	69.7	62.8	85.4	64.3	84.4	81.3
1934.....	71.6	66.6	67.2	72.9	65.4	87.0	64.3	86.0	81.2
1935.....	72.1	67.3	70.4	70.2	64.6	87.2	69.1	85.5	79.1
1936.....	74.6	72.6	71.8	69.7	68.5	88.0	70.0	85.5	78.0
1937.....	84.6	88.4	78.4	72.8	76.7	101.8	83.8	86.6	81.4
1938.....	78.6	73.8	76.7	67.5	77.5	100.4	70.9	86.7	79.9
1939.....	75.4	63.7	74.6	70.0	79.2	98.5	71.3	85.3	79.8
1940.....	82.9	72.1	79.1	83.8	88.8	104.1	76.9	89.3	87.9
1941.....	90.0	77.0	92.1	91.0	96.0	111.3	77.7	95.2	98.9
1942.....	95.6	84.5	101.1	92.0	101.8	115.4	78.4	99.0	102.9
1943.....	100.0	91.2	107.3	91.9	109.6	115.8	79.7	100.4	100.4
1944.....	102.5	95.0	106.7	91.8	117.9	116.9	79.7	102.4	100.1
1945.....	103.6	97.0	107.9	91.8	120.0	117.1	79.8	102.0	99.4
1946.....	108.7	97.8	114.5	97.0	132.3	126.1	88.0	103.1	95.2
1947.....	129.0	115.1	131.8	128.1	162.6	137.7	124.5	113.6	108.0

TABLE 3.—GENERAL WHOLESALE PRICE INDEX AND MAIN GROUPS, DECEMBER, 1945
TO DECEMBER, 1947
(1926=100)

	General Index	Vegetable Products	Animals and Their Products	Fibres, Textiles and Textile Products	Wood, Wood Products and Paper	Iron and Its Products	Non- Ferrous Metals and Their Products	Non- Metallic Minerals and Their Products	Chemical and Allied Products
1945									
Dec.....	103.6	97.0	107.9	91.8	120.0	117.1	79.8	102.0	99.4
1946									
Jan.....	104.6	97.2	108.3	91.8	125.2	117.8	80.9	102.4	95.7
Feb.....	105.3	97.2	109.2	92.2	125.4	118.2	87.8	102.4	95.7
Mar.....	105.6	97.4	109.0	95.5	125.4	118.4	87.8	102.6	95.7
April.....	108.4	97.8	112.7	98.2	128.9	128.8	87.8	102.9	95.6
May.....	109.0	98.5	113.3	98.2	131.5	128.8	86.9	102.7	94.4
June.....	109.3	98.7	114.6	98.2	132.0	128.8	86.9	102.7	94.4
July.....	109.7	99.2	115.8	98.2	131.4	128.7	89.3	102.9	94.3
Aug.....	109.3	97.8	115.6	98.2	131.7	128.6	89.7	102.5	94.4
Sept.....	109.2	97.4	115.3	98.2	131.8	128.9	89.7	102.6	94.7
Oct.....	111.0	97.0	119.7	98.2	138.9	128.9	89.7	104.0	95.7
Nov.....	111.6	97.5	119.9	98.4	141.5	128.9	89.9	104.2	96.4
Dec.....	112.0	97.3	120.2	98.4	143.6	128.9	89.4	104.9	95.3
1947									
Jan.....	114.2	97.9	122.7	100.3	147.8	131.4	97.1	105.6	98.2
Feb.....	118.1	102.3	123.0	111.1	149.0	131.9	115.0	106.3	103.8
Mar.....	120.4	107.2	123.6	117.6	149.0	132.0	116.2	106.3	103.8
April.....	122.9	110.6	124.5	121.2	153.8	133.5	115.8	108.3	103.9
May.....	125.3	111.4	128.0	123.9	161.0	133.7	115.1	111.4	103.9
June.....	127.8	111.8	129.6	131.1	162.8	134.8	127.6	113.0	110.9
July.....	129.1	113.5	129.4	132.2	165.0	135.0	132.5	114.4	110.8
Aug.....	130.8	115.0	131.6	134.1	165.8	136.8	133.0	117.3	110.4
Sept.....	133.8	122.1	135.9	134.2	166.3	137.5	134.6	117.5	112.6
Oct.....	139.3	126.8	140.7	137.4	175.7	148.3	134.9	119.1	111.9
Nov.....	142.5	131.6	144.1	146.5	176.8	148.3	135.9	121.2	112.6
Dec.....	143.5	130.7	148.9	148.1	177.7	149.3	135.8	122.6	112.8

TABLE 3.—WHOLESALE PRICE INDEXES AND MAIN GROUPS, 1913-1947—*Continued*
(1926=100)

—	Producers' Goods	Consumers' Goods	Building and Construction Materials	Raw and Partly Manufactured Materials	Fully and Chiefly Manufactured Materials	Canadian Farm Products		
						Total	Field	Animal
1913.....	67.7	62.0	67.0	63.8	64.8	64.1	56.4	77.0
1914.....	70.1	62.1	62.8	66.2	65.6	70.2	65.4	78.3
1915.....	77.1	62.8	60.5	72.5	71.1	77.9	76.9	79.5
1916.....	89.7	72.2	69.5	86.4	84.6	89.8	88.8	91.4
1917.....	120.6	90.5	87.4	113.6	113.5	128.5	134.5	118.4
1918.....	133.3	102.7	100.7	120.8	127.7	132.6	132.0	133.6
1919.....	139.8	115.2	117.8	127.9	132.1	146.7	142.6	153.6
1920.....	164.3	136.1	144.0	151.1	156.5	160.6	166.5	150.8
1921.....	113.3	108.9	122.7	105.2	116.1	103.7	100.3	109.5
1922.....	98.8	96.9	108.7	94.7	100.4	88.0	81.4	99.0
1923.....	97.6	94.7	111.9	91.1	103.1	81.5	73.3	95.1
1924.....	99.4	94.2	106.6	94.8	101.9	88.1	82.7	97.2
1925.....	104.9	97.0	102.9	100.8	103.8	101.1	98.2	105.6
1926.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1927.....	98.5	95.7	96.1	99.9	96.5	102.1	99.9	105.7
1928.....	96.7	95.6	97.4	97.4	95.0	100.7	92.6	114.3
1929.....	96.1	94.7	99.0	97.5	93.0	100.8	93.8	112.5
1930.....	82.5	89.3	90.8	82.2	87.3	82.3	70.0	102.9
1931.....	67.1	76.2	81.9	61.9	74.8	56.3	43.6	77.6
1932.....	62.4	71.3	77.2	55.0	69.8	48.4	41.1	60.7
1933.....	63.1	71.1	78.3	56.6	70.2	51.0	45.8	59.7
1934.....	67.8	74.1	82.5	63.5	73.4	59.0	53.8	67.7
1935.....	69.5	73.6	81.2	66.0	72.8	63.5	57.3	74.0
1936.....	72.4	74.7	85.3	70.8	73.6	69.4	65.8	75.3
1937.....	86.1	79.5	94.4	84.3	80.5	87.1	88.3	85.0
1938.....	75.8	77.2	89.1	72.7	78.2	75.6	69.0	81.3
1939.....	70.4	75.9	89.7	67.5	75.3	64.3	54.2	81.2
1940.....	78.7	83.4	95.6	75.3	81.5	67.6	56.8	85.8
1941.....	83.6	91.1	107.3	81.8	88.8	72.8	59.0	95.9
1942.....	88.3	95.6	115.2	90.1	91.9	85.0	70.6	109.2
1943.....	95.1	97.0	121.2	99.1	93.1	97.9	84.7	120.0
1944.....	99.9	97.4	127.3	104.0	93.6	107.1	98.6	121.3
1945.....	100.7	98.1	127.3	105.6	94.0	109.7	101.7	123.0
1946.....	105.7	101.1	134.8	109.5	98.8	111.9*	101.0*	130.1
1947.....	129.1	116.9	166.1	130.4	117.2	120.1*	105.9*	143.9

* Excludes wheat payment not yet notified.

TABLE 3.—WHOLESALE PRICE INDEXES AND MAIN GROUPS—*Concluded*

—	Producers' Goods	Consumers' Goods	Building and Construction Materials	Raw and Partly Manufactured Goods	Fully and Chiefly Manufactured Goods	Canadian Farm Products		
						Total	Field	Animal
1946								
January.....	102.1	97.8	128.1	106.0	95.3	109.6	100.4	125.0
February.....	103.4	98.1	128.5	106.9	95.5	110.3	100.9	126.0
March.....	103.6	99.0	128.6	107.0	96.0	110.3	100.9	126.1
April.....	105.1	100.9	135.2	108.2	98.6	110.7	101.2	126.5
May.....	105.8	101.0	135.2	109.1	98.6	111.5	101.9	127.7
June.....	106.4	101.4	135.2	109.8	98.7	112.7	102.1	130.5
July.....	106.2	102.1	134.7	110.2	98.9	113.8	103.7	130.6
August.....	105.9	101.6	135.8	108.6	99.6	111.5	100.9	129.3
September.....	105.9	101.5	135.8	108.2	99.8	110.9	100.0	129.2
October.....	107.4	103.1	137.6	112.3	101.4	113.3	99.9	135.8
November.....	108.1	103.3	140.9	113.5	101.4	113.8	100.0	137.1
December.....	108.9	103.1	141.7	113.6	101.7	113.9	100.1	137.0
1947								
January.....	111.3	104.1	148.3	115.2	103.7	114.4	100.1	138.3
February.....	117.4	107.2	151.5	119.4	106.8	115.5	100.8	140.1
March.....	121.2	108.6	151.5	123.8	107.7	116.4	101.7	141.0
April.....	123.6	110.8	152.4	125.6	111.8	116.9	101.7	142.4
May.....	125.6	112.5	160.2	128.1	113.4	118.5	103.6	143.4
June.....	128.5	116.5	164.0	129.3	115.6	119.2	104.1	144.4
July.....	129.4	117.5	165.5	131.0	116.2	120.1	106.6	142.7
August.....	131.4	118.9	167.7	133.1	117.1	120.0	106.3	142.8
September.....	135.0	121.6	170.8	133.5	123.0	120.4	107.4	142.2
October.....	139.8	124.7	185.4	138.6	127.5	122.9	109.5	145.2
November.....	142.4	130.0	186.9	142.5	131.4	126.5	114.0	147.5
December.....	143.3	130.8	189.2	145.1	132.0	130.7	115.1	156.8

TABLE 4.—COST-OF-LIVING INDEX AND MAIN GROUPS, 1913 TO 1947
(1935-1939 = 100)

Year	Total Index	Food Index	Rent Index	Fuel and Lighting Index	Clothing Index	Home Furnishings and Miscellaneous Index		
1913.....	79.1	89.1	74.3	77.1	87.4	69.6		
1914.....	79.7	92.2	72.1	75.1	88.3	69.6		
1915.....	80.7	93.7	69.8	73.8	96.4	70.0		
1916.....	87.0	103.9	70.6	75.4	109.8	74.1		
1917.....	102.4	134.3	75.8	83.8	129.1	80.7		
1918.....	115.6	154.2	80.0	92.6	151.0	90.3		
1919.....	126.5	164.8	87.3	100.7	173.6	100.0		
1920.....	145.4	189.5	100.1	120.2	211.9	109.3		
1921.....	129.9	145.5	109.4	128.1	172.0	111.4		
1922.....	120.4	123.3	114.0	122.7	145.7	111.4		
1923.....	129.7	124.1	116.9	122.5	143.8	110.7		
1924.....	118.8	121.8	117.4	118.9	140.8	108.6		
1925.....	119.8	127.2	117.4	116.8	140.3	106.5		
1926.....	121.8	133.3	115.9	116.8	139.1	106.1		
1927.....	119.9	130.9	114.5	114.4	135.6	105.1		
1928.....	120.5	131.5	117.3	113.2	135.5	104.8		
1929.....	121.7	134.7	119.7	112.6	134.8	105.0		
1930.....	120.8	131.5	122.7	111.8	130.6	105.4		
1931.....	109.1	103.1	119.4	110.0	114.3	103.3		
1932.....	99.0	85.7	109.7	106.8	100.6	100.4		
1933.....	94.4	84.9	98.6	102.5	93.3	98.2		
1934.....	95.6	92.7	93.1	102.1	97.1	97.8		
						Home Furnishings Index	Miscellaneous Index	Retail Prices Index (Commodities) Only
1935.....	96.2	94.6	94.0	100.9	97.6	95.4	98.7	95.9
1936.....	98.1	97.8	96.1	101.5	99.3	97.2	99.1	98.1
1937.....	101.2	102.3	99.7	98.9	101.4	101.5	100.1	102.0
1938.....	102.2	103.8	103.1	97.7	100.9	102.4	101.2	102.8
1939.....	101.5	100.6	103.6	101.2	100.7	101.4	101.4	101.0
1940.....	105.6	105.6	106.3	107.1	109.2	107.2	102.3	106.6
1941.....	111.7	116.1	109.4	110.3	116.1	113.8	105.1	114.9
1942.....	117.0	127.2	111.3	112.8	120.0	117.9	107.1	122.4
1943.....	118.4	130.7	111.5	112.9	120.5	118.0	108.0	124.5
1944.....	118.9	131.3	110.6	111.9	121.5	118.4	108.9	152.2
1945.....	119.5	133.0	107.0	112.1	122.1	119.0	109.4	126.2
1946.....	123.6	140.4	112.7	107.4	126.3	124.5	112.6	132.1
1947.....	135.5	159.5	116.7	115.9	143.9	141.6	117.0	148.8

TABLE 4.—COST-OF-LIVING INDEX AND MAIN GROUPS, 1913 TO 1947—*Concluded*
(1935-1939=100)

Year	Total Index	Food Index	Rent Index	Fuel and Lighting Index	Clothing Index	Home furnishings Index	Miscellaneous Index	Retail Prices Index (Commodities) only
1945—								
December.....	120.1	134.3	112.3	107.1	122.5	119.5	109.6	127.0
1946—								
January.....	119.9	132.8	112.3	107.1	122.6	119.5	110.9	126.3
February.....	119.9	132.5	112.3	107.1	122.7	120.1	110.9	126.2
March.....	120.1	133.1	112.3	107.2	123.1	120.4	110.0	126.7
April.....	120.8	135.1	112.3	107.2	123.2	120.7	111.0	127.8
May.....	122.0	137.7	112.6	107.2	123.7	122.1	111.5	129.5
June.....	123.6	142.1	112.6	107.2	124.3	122.4	112.1	132.1
July.....	125.1	144.2	112.6	107.2	126.4	125.1	113.7	134.4
August.....	125.6	144.7	112.6	107.2	127.6	127.0	113.8	135.1
September.....	125.5	143.2	112.6	107.2	129.6	128.4	113.9	135.0
October.....	126.8	146.5	113.4	107.3	130.2	128.8	113.9	136.9
November.....	127.1	146.6	113.4	108.6	131.1	129.2	114.1	137.2
December.....	127.1	146.4	113.4	109.2	131.2	129.4	114.1	137.2
1947—								
January 2.....	127.0	145.5	113.4	109.0	131.5	129.8	114.7	136.9
February 1.....	127.8	147.0	113.4	109.1	131.9	130.9	115.5	137.9
March 1.....	128.9	148.7	113.4	109.1	133.1	133.6	116.0	139.4
April 1.....	130.6	151.6	113.4	109.1	136.9	137.2	116.3	142.2
May 1.....	133.1	154.9	115.4	116.2	140.0	138.6	116.8	145.2
June 2.....	134.9	157.7	117.8	116.7	142.4	139.8	117.1	147.4
July 2.....	135.9	159.3	117.8	117.3	143.2	142.5	117.2	149.1
August 1.....	136.6	160.6	117.8	118.6	145.5	143.7	117.2	150.2
September 2.....	139.4	165.3	117.8	121.1	152.0	147.4	117.5	154.7
October 1.....	142.2	171.3	119.9	121.9	154.2	149.9	117.6	158.5
November 1.....	143.6	173.6	119.9	122.6	157.0	151.4	118.2	160.6
December 1.....	146.0	178.7	119.9	120.3	159.3	154.9	119.8	164.4
1948								
January 2.....	148.3	182.2	119.9	120.4	161.2	158.4	122.6	

¹ Since June 24, 1942, additional taxes on tobacco products have not been reflected in the above indexes originally established for cost-of-living bonus calculations. The December 1, 1947 index, inclusive of all such additional taxes is 146.8.

III. Comparison with Other Countries—

The following table shows that price increases have not gone as far in Canada as they have in the United States or the United Kingdom. They have exceeded those of Australia, New Zealand and South Africa.

TABLE 5.—WHOLESALE AND RETAIL PRICE INDEXES IN CANADA, UNITED STATES, UNITED KINGDOM, AUSTRALIA, NEW ZEALAND AND SOUTH AFRICA, 1935-39=100

a. WHOLESALE PRICE INDEXES

	1935-39	December 1945	Latest Date
Canada.....	100	135	186 (Dec. '47)
United States.....	100	133	201 (Dec. '47)
United Kingdom.....	100	171	205 (Dec. '47)
Australia.....	100	144	158 (Oct. '47)
New Zealand.....	100	161	161 (Aug. '47)
South Africa.....	100	159	176 (Oct. '47)

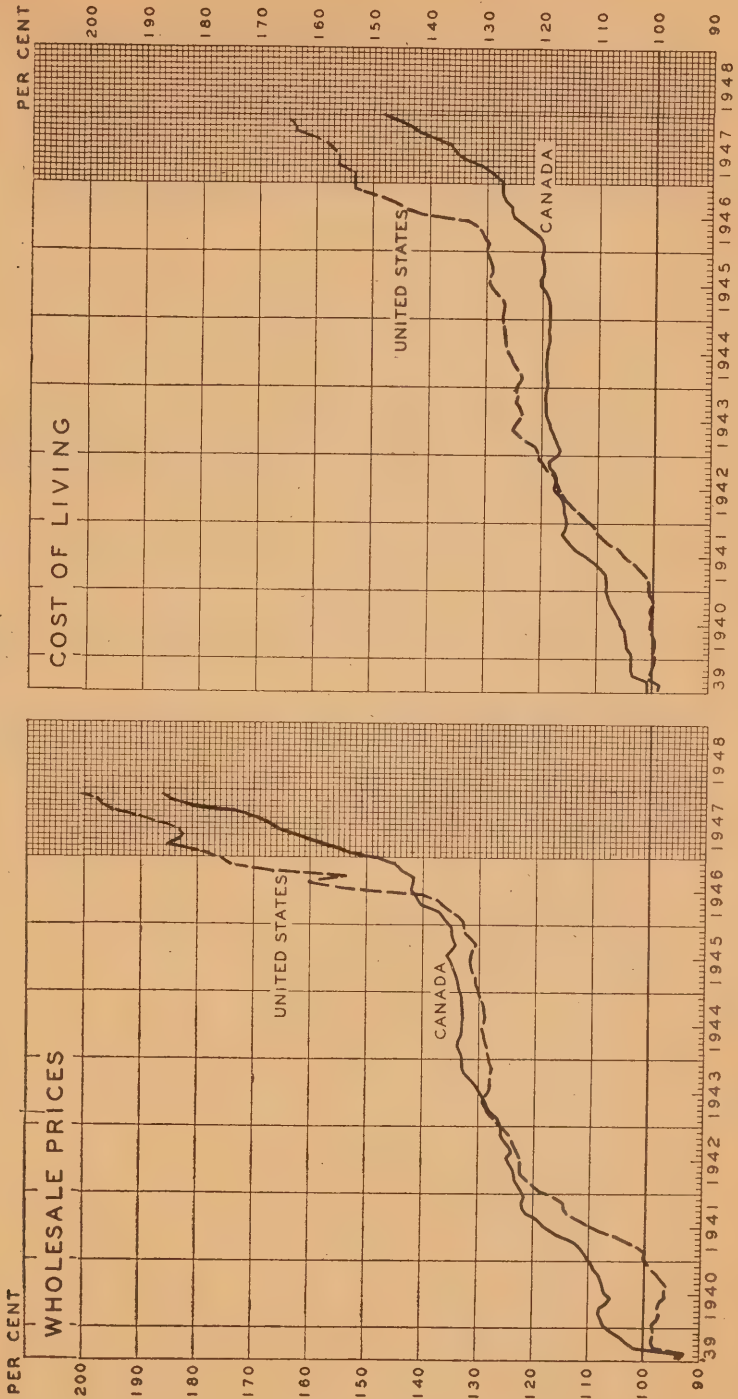
b. RETAIL (COST-OF-LIVING) PRICES INDEXES

	1935-39	December 1945	Latest Date
Canada.....	100	120	148 (Jan. '48)
United States.....	100	130	165 (Nov. '47)
United Kingdom.....	100	158	163 (Nov. '47)
Australia.....	100	129	136 (Sept. '47)
New Zealand.....	100	124	127 (Sept. '47)
South Africa.....	100	137	145 (Oct. '47)

The United Kingdom Cost-of-Living Index was discontinued in June, 1947, and a new index called "Retail Prices Index" was begun at that date. The above figures are based upon an article in the *London and Cambridge Economic Service*, August, 1947, p. 75.

WHOLESALE PRICES AND COST OF LIVING CANADA — UNITED STATES

1935-39 = 100



DATA CANADA - D.B.S.
U.S. - BUREAU LABOR STATISTICS

IV. Recent Price Increases—

Table 6 shows price increases from December, 1945 to the present time, for a selected list of wholesale commodities and price groups. The present standings of these groups, on the alternative bases of 1926=100 and 1939=100, are given at the foot of each column.

Table 6(a) shows the number of points that each sub-group in the Wholesale Price Index contributed to the over-all rise of 39 points since December, 1945.

Table 7 shows the sub-groups of the Cost-of-Living Index at December, 1945, and at January, 1948, with the percent increase from December, 1945 to January, 1948.

Table 7(a) shows the number of points that each sub-group in the Cost-of-Living Index contributed to the over-all rise of 28 points since December, 1945.

Table 8 shows individual retail food prices at January, 1948, in terms of their Dominion average, for independent stores (not chain stores); together with their increase since August, 1939 and since December, 1945.

TABLE 6.—WHOLESALE PRICE INDEX NUMBERS OF SELECTED COMMODITIES AND COMMODITY GROUPS DECEMBER, 1945 TO JANUARY, 1948

1. MEAT PRODUCTS

	Steers Toronto, Winnipeg	Beef Carcass Montreal, Toronto, Winnipeg, Vancouver	Calves Toronto, Winnipeg	Veal Carcass Toronto, Montreal, Winnipeg	Hogs Montreal, Toronto, Winnipeg Bonus Included	Hogs Montreal, Toronto, Winnipeg Bonus Excluded
<i>1945—</i>						
December.....	100.0	100.0	100.0	100.0	100.0	100.0
<i>1946—</i>						
January.....	101.3	100.0	104.5	100.0	103.5	103.9
February.....	103.3	100.0	105.1	100.0	103.4	103.7
March.....	103.9	100.0	103.5	100.0	99.7	99.8
April.....	104.0	100.0	101.4	100.0	105.4	109.5
May.....	107.1	100.0	102.0	100.0	107.7	112.0
June.....	116.7	107.7	99.9	100.0	111.1	115.7
July.....	111.2	107.5	95.0	100.0	110.8	115.5
August.....	105.9	102.0	96.5	100.0	112.1	116.8
September.....	104.6	102.0	98.5	100.0	111.8	116.5
October.....	104.4	102.0	98.5	100.0	107.3	111.6
November.....	105.4	102.0	99.3	100.0	107.9	112.3
December.....	107.9	102.0	105.1	100.0	110.7	115.3
YEAR.....	106.3	102.1	100.7	100.0	107.7	111.0
<i>1947—</i>						
January.....	114.6	102.0	106.3	100.0	116.0	121.0
February.....	118.9	102.0	109.0	100.0	116.4	121.4
March.....	120.7	106.9	107.8	100.0	116.3	121.3
April.....	125.1	106.9	108.0	100.0	116.8	121.9
May.....	127.0	106.9	103.0	100.0	116.7	121.8
June.....	129.2	106.9	104.7	100.0	116.8	121.9
July.....	122.0	106.9	100.3	100.0	118.0	123.2
August.....	118.7	106.9	100.4	100.0	119.7	125.0
September.....	117.3	106.9	102.4	100.0	124.4	130.0
October.....	115.4	106.9	101.7	100.0	120.9	126.2
November.....	114.7	109.1	103.4	127.9	122.6	128.1
December.....	121.1	112.5	111.3	128.2	123.5	129.0
YEAR.....	120.4	106.8	104.9	104.7	119.0	124.3
<i>1948—</i>						
January.....	127.8	123.7	125.5	143.0	139.0	145.7
<i>1926=100, to January, 1948..</i>	224.5	214.1	186.0	161.3	150.4	146.6
<i>1939=100, to January, 1948..</i>	232.2	206.7	214.3	209.2	220.5	215.0

TABLE 6.—WHOLESALE PRICE INDEX NUMBERS OF SELECTED COMMODITIES AND COMMODITY GROUPS, DECEMBER, 1945 TO JANUARY, 1948—*Continued*1. MEAT PRODUCTS—*Continued*

	Pork Carcass Montreal, Toronto, Winnipeg, Vancouver	Lambs Toronto, Winnipeg	Lamb Carcass Montreal, Toronto, Winnipeg, Vancouver	Lard Montreal, Toronto, Winnipeg, Vancouver	Tallow
1945—					
December.....	100.0	100.0	100.0	100.0	100.0
1946—					
January.....	100.0	104.2	100.0	100.0	100.0
February.....	100.0	99.2	100.0	100.0	100.0
March.....	100.0	99.1	100.0	100.0	100.0
April.....	112.2	104.1	100.0	110.1	100.0
May.....	112.2	108.7	100.0	110.1	100.0
June.....	112.2	110.2	114.4	110.1	100.0
July.....	112.2	113.3	114.4	110.1	100.0
August.....	112.2	104.2	114.4	110.1	100.0
September.....	112.2	99.1	100.0	110.1	100.0
October.....	112.2	98.9	100.0	110.1	100.0
November.....	112.2	101.7	100.0	110.1	100.0
December.....	112.2	106.3	100.0	110.1	100.0
YEAR.....	109.2	104.1	103.6	107.6	100.0
1947—					
January.....	118.1	106.2	100.0	147.0	100.0
February.....	121.3	103.6	100.0	147.0	104.0
March.....	121.3	107.7	100.0	147.0	104.0
April.....	121.3	108.2	100.0	147.0	146.9
May.....	121.3	110.8	101.2	147.0	146.9
June.....	121.3	120.3	104.1	147.0	146.9
July.....	121.3	116.8	109.9	147.0	146.9
August.....	121.3	112.0	111.8	147.0	146.9
September.....	129.4	106.2	112.2	147.0	146.9
October.....	129.4	101.6	110.9	147.0	146.9
November.....	134.8	100.7	115.2	147.0	146.9
December.....	135.0	106.5	122.9	147.0	146.9
YEAR.....	124.7	108.4	107.3	147.0	135.8
1948—					
January.....	166.3	118.6	135.1	147.0	181.1
1926 = 100, to January, 1948.....	149.0	136.9	140.2	119.4	181.1
1939 = 100, to January, 1948.....	224.7	181.6	191.5	237.8	379.6

TABLE 6.—WHOLESALE PRICE INDEX NUMBERS OF SELECTED COMMODITIES AND COMMODITY GROUPS, DECEMBER, 1945 TO JANUARY, 1948—Continued

	2. DAIRY PRODUCTS		3. FISH	4. CANNED GOODS	
	Milk Fluid (15 cities)	Butter Composite (6 cities)	Fish	Canned Fruits	Canned Vegetables
1945—					
December.....	100.0	100.0	100.0	100.0	100.0
1946—					
January.....	99.9	100.0	100.0	100.0	100.0
February.....	100.9	100.0	102.9	100.0	100.0
March.....	100.9	100.0	101.4	105.2	100.0
April.....	101.0	110.8	106.1	105.2	100.0
May.....	101.0	109.1	110.0	109.6	100.0
June.....	100.8	106.5	110.0	109.6	102.7
July.....	100.8	110.0	110.6	115.9	102.7
August.....	100.8	110.6	115.5	118.0	118.8
September.....	100.8	110.7	115.5	118.0	122.5
October.....	135.7	110.8	115.5	118.0	122.5
November.....	137.3	110.8	115.5	118.0	122.5
December.....	137.3	110.8	122.6	118.0	122.5
YEAR.....	109.8	10.75	110.5	111.4	109.5
1947—					
January.....	137.4	110.8	122.6	118.0	122.5
February.....	137.5	110.8	120.2	118.0	122.5
March.....	137.8	110.8	116.3	118.0	122.5
April.....	138.1	110.8	115.8	125.0	122.5
May.....	138.0	136.3	111.3	125.0	122.5
June.....	138.3	138.6	117.5	125.0	122.5
July.....	138.4	139.3	115.2	125.0	122.5
August.....	138.4	151.3	117.0	127.9	124.2
September.....	138.4	167.1	117.0	136.0	124.2
October.....	138.5	161.8	131.1	142.1	148.7
November.....	142.1	165.4	132.1	144.7	148.7
December.....	155.7	180.5	132.1	148.8	148.7
YEAR.....	139.9	140.3	120.7	129.4	129.3
1948—					
January.....	161.8	186.4	135.1	148.8	148.7
1926=100 to January, 1948.....	167.5	170.4	176.6	111.3	120.3
1939=100 to January, 1948.....	195.4	279.3	240.9	170.4	166.2

TABLE 6.—WHOLESALE PRICE INDEX NUMBERS OF SELECTED COMMODITIES AND COMMODITY GROUPS DECEMBER, 1945 TO JANUARY, 1948—Continued

	5. CEREALS AND STARCHES				6. BEVERAGES			
	Flour 1st Pat- ent Toronto	Bread	Potatoes 7 cities	Gran- ulated Sugar	Tea	Coffee	Green Cocoa Beans	Salt
1945—								
December.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1946—								
January.....	100.0	100.0	102.7	100.0	100.0	100.0	100.0	100.0
February.....	100.0	100.0	102.9	100.0	100.0	100.0	100.0	100.0
March.....	100.0	100.0	105.7	100.0	100.0	100.0	100.0	100.0
April.....	100.0	100.0	108.1	100.0	100.0	100.0	100.0	100.0
May.....	100.0	100.0	110.6	100.0	100.0	100.0	100.0	100.0
June.....	100.0	100.0	115.6	100.0	100.0	100.0	100.0	100.0
July.....	100.0	100.0	134.9	100.0	100.0	100.0	100.0	100.0
August.....	100.0	100.0	98.0	100.0	100.0	100.0	100.0	100.0
September.....	100.0	100.0	93.0	100.0	100.0	100.0	100.0	100.0
October.....	100.0	100.0	74.8	100.0	100.0	100.0	100.0	100.0
November.....	100.0	100.0	71.7	100.0	100.0	100.0	100.0	100.0
December.....	100.0	100.0	71.8	100.0	100.0	100.0	100.0	100.0
YEAR.....	100.0	100.0	98.3	100.0	100.0	100.0	100.0	100.0
1947—								
January.....	100.0	100.0	73.0	100.0	115.5	118.2	100.0	100.0
February.....	100.0	100.0	75.1	100.0	115.5	118.2	100.0	100.0
March.....	100.0	100.0	77.6	100.0	115.5	118.2	100.0	100.0
April.....	100.0	100.0	77.4	114.5	115.5	118.2	235.0	100.0
May.....	100.0	100.0	95.9	114.5	115.5	118.2	235.0	100.0
June.....	100.0	100.0	100.3	114.5	115.5	118.2	235.0	100.0
July.....	100.0	100.0	129.9	114.5	115.5	118.2	235.0	100.0
August.....	100.0	100.0	106.2	114.5	133.9	131.9	315.0	122.9
September.....	182.6	100.0	91.1	114.5	133.9	131.9	315.0	122.9
October.....	182.6	131.8	86.9	114.5	133.9	131.9	513.0	122.9
November.....	182.6	131.6	104.5	129.0	133.9	131.9	453.0	122.9
December.....	179.7	131.6	113.9	114.5	133.9	136.5	423.1	122.9
YEAR.....	127.3	107.9	94.3	112.1	123.1	124.4	271.6	109.5
1948—								
January.....	174.4	131.6	118.9	114.5	133.9	137.8	440.1	122.9
1926=100, to January, 1948...	100.3	113.7	125.2	132.5	159.3	151.0	706.3	160.5
1939=100, to January, 1948...	177.5	135.8	214.8	154.4	170.2	225.4	1133.7	147.7

TABLE 6.—WHOLESALE PRICE INDEX NUMBERS OF SELECTED COMMODITIES AND COMMODITY GROUPS, DECEMBER, 1945 to JANUARY, 1948—*Continued*

7. TEXTILES, FOOTWEAR AND LEATHER

	Cotton Textiles	Rayon Textiles	Wool Cloth	Boots and Shoes	Hides and Skins	Leather
<i>1945—</i>						
December.....	100.0	100.0	100.0	100.0	100.0	100.0
<i>1946—</i>						
January.....	100.0	100.0	100.0	100.0	100.0	100.0
February.....	100.0	103.9	100.0	101.7	100.0	100.0
March.....	110.9	103.9	100.0	101.7	100.0	100.0
April.....	110.9	103.9	108.2	101.7	100.0	100.0
May.....	110.9	103.9	108.2	101.7	100.0	100.0
June.....	110.9	103.9	108.2	101.6	100.0	100.0
July.....	110.9	103.9	108.2	103.7	100.0	100.0
August.....	110.9	103.9	108.2	103.7	100.0	100.0
September.....	110.9	103.9	108.2	104.7	100.0	100.0
October.....	110.9	103.9	108.2	105.4	100.0	100.0
November.....	110.9	103.9	108.2	105.4	100.0	100.0
December.....	110.9	103.9	108.2	107.5	100.0	100.0
YEAR.....	109.1	103.6	106.1	103.2	100.0	100.0
<i>1947—</i>						
January.....	110.9	103.9	108.2	107.5	100.0	100.0
February.....	114.6	103.9	115.3	115.1	121.6	117.1
March.....	144.6	114.2	123.2	115.1	121.6	117.1
April.....	144.6	123.8	130.9	115.1	121.6	117.1
May.....	144.6	123.8	134.6	115.1	121.6	117.4
June.....	158.9	123.8	136.9	118.6	121.6	117.4
July.....	159.3	127.9	139.0	118.6	122.6	117.4
August.....	159.3	127.9	150.2	120.1	122.6	117.4
September.....	159.3	127.9	151.3	121.9	122.6	127.1
October.....	159.3	127.9	153.2	143.9	179.5	177.2
November.....	184.4	137.4	153.2	152.6	185.6	179.2
December.....	187.5	137.4	153.6	153.9	185.6	179.2
YEAR.....	154.8	123.4	137.5	124.9	135.6	132.0
<i>1948—</i>						
January.....	187.5	137.4	158.8	153.4	178.8	Not available
<i>1926=100, to January, 1948..</i>	154.7	94.7	165.3	167.1	173.4	"
<i>1939=100, to January, 1948..</i>	218.2	172.2	215.8	180.1	216.8	"

TABLE 6.—WHOLESALE PRICE INDEX NUMBERS OF SELECTED COMMODITIES AND COMMODITY GROUPS DECEMBER, 1945 TO JANUARY, 1948—Continued

	8. PETROLEUM PRODUCTS			9. FERTILIZERS	
	Crude Oil	Industrial Light Fuel Oil	Gasoline 7 Cities	Ammonia Nitrate	Fertilizers
1945—					
December.....	100.0	100.0	100.0	100.0	100.0
1946—					
January.....	100.0	100.0	100.0	100.0	100.0
February.....	100.0	100.0	100.0	100.0	100.0
March.....	100.0	100.0	100.0	100.0	100.0
April.....	103.5	100.0	102.4	100.0	100.0
May.....	103.5	100.0	102.4	100.0	100.0
June.....	103.5	100.0	102.4	100.0	100.0
July.....	94.2	100.0	102.4	100.0	100.0
August.....	107.2	100.0	102.4	100.0	101.9
September.....	107.2	100.0	102.4	100.0	101.9
October.....	107.2	100.0	102.4	100.0	101.9
November.....	112.4	100.0	102.4	100.0	102.9
December.....	112.4	100.0	102.4	100.0	102.6
YEAR.....	104.3	100.0	101.9	100.0	100.8
1947—					
January.....	112.4	105.7	104.3	100.0	102.6
February.....	112.4	105.7	104.3	100.0	102.6
March.....	112.4	105.7	104.3	100.0	102.6
April.....	125.5	117.0	111.4	100.0	102.6
May.....	125.5	117.0	111.4	100.0	102.6
June.....	125.5	117.0	111.4	100.0	102.6
July.....	125.5	128.5	111.4	120.1	102.6
August.....	125.5	128.5	111.4	131.2	115.9
September.....	125.5	128.5	111.4	131.2	120.5
October.....	136.2	128.5	111.4	147.8	123.5
November.....	136.2	142.1	116.9	147.8	125.4
December.....	162.4	142.1	117.4	147.8	126.2
YEAR.....	125.9	122.2	110.6	119.8	110.9
1948—					
January.....	162.4	164.8	127.6	142.4	124.2
1926=100, to January, 1948.....	136.1	153.9	80.9	106.4	103.8
1939=100, to January, 1948.....	187.7	190.7	134.4	Not available	125.1

TABLE 6.—WHOLESALE PRICE INDEX NUMBERS OF SELECTED COMMODITIES AND COMMODITY GROUPS—DECEMBER, 1945 TO JANUARY, 1948—*Continued*

	10. FEEDS				11. FARM MACHINERY	12. VEGE- TABLE OILS
	Gluten Feed	Bran	Shorts	Oats, No. 1 Feed	Farm Machinery	Vegetable Oils
<i>1945—</i>						
December.....	100.0	100.0	100.0	100.0	100.0	100.0
<i>1946—</i>						
January.....	100.0	100.0	100.0	100.0	100.0	100.0
February.....	100.0	100.0	100.0	100.0	100.0	100.0
March.....	100.0	100.0	100.0	100.0	100.0	100.0
April.....	100.0	100.0	100.0	100.0	105.5	100.0
May.....	100.0	100.0	100.0	100.0	105.5	100.0
June.....	100.0	100.0	100.0	100.0	105.5	100.0
July.....	100.0	100.0	100.0	100.0	105.5	100.0
August.....	100.0	100.0	100.0	100.0	105.5	120.0
September.....	100.0	100.0	100.0	100.0	105.5	120.0
October.....	100.0	100.0	100.0	100.0	105.5	120.0
November.....	100.0	100.0	100.0	100.0	105.5	120.0
December.....	100.0	100.0	100.0	100.0	105.5	120.0
YEAR.....	100.0	100.0	100.0	100.0	104.1	108.4
<i>1947—</i>						
January.....	100.0	100.0	100.0	100.0	108.5	120.0
February.....	100.0	100.0	100.0	100.0	108.5	155.3
March.....	100.0	100.0	100.0	111.6	108.5	155.3
April.....	104.5	105.3	105.0	126.1	108.5	155.3
May.....	104.5	105.3	105.0	126.1	108.5	155.3
June.....	104.5	105.3	105.0	126.1	108.5	166.6
July.....	104.5	106.2	106.0	126.1	108.5	166.6
August.....	104.5	105.3	105.0	126.1	108.5	166.6
September.....	169.1	146.9	145.0	126.1	108.5	196.8
October.....	169.1	146.9	145.0	140.5	108.5	197.2
November.....	169.1	146.9	145.0	165.5	108.5	188.9
December.....	169.1	167.7	173.0	160.2	108.5	190.8
YEAR.....	125.0	119.7	119.5	127.9	108.5	167.9
<i>1948—</i>						
January.....	169.1	188.6	193.0	166.0	not avail- able	193.1
<i>1926=100, to January, 1948..</i>	134.1	157.3	157.3	187.9	"	244.8
<i>1939=100, to January, 1948..</i>	219.8	201.2	203.0	312.1	"	384.9

SPECIAL COMMITTEE

TABLE 6.—WHOLESALE PRICE INDEX NUMBERS OF SELECTED COMMODITIES AND COMMODITY GROUPS DECEMBER, 1945 TO JANUARY, 1948—Continued

13. BUILDING MATERIALS

	Building Materials	Lumber	Pine	Spruce	Cedar	Fir	Prepared Paints
<i>1945—</i>							
December.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>1946—</i>							
January.....	100.6	100.9	100.0	101.3	103.4	100.0	100.0
February.....	100.9	101.2	100.0	101.3	106.0	100.0	100.0
March.....	101.0	101.2	100.0	101.3	106.0	100.0	100.0
April.....	106.2	107.2	107.6	105.0	113.1	108.0	100.0
May.....	106.2	107.2	107.6	105.0	113.1	108.0	100.0
June.....	106.2	107.2	107.6	105.0	113.1	108.0	100.0
July.....	105.8	106.1	107.6	105.0	105.4	108.0	100.0
August.....	106.7	106.1	107.6	105.0	105.4	108.0	100.0
September.....	106.7	106.1	107.6	105.0	105.4	108.0	100.0
October.....	108.1	107.5	107.6	105.0	114.7	108.0	108.1
November.....	110.7	111.7	107.6	105.0	144.0	108.0	108.1
December.....	111.3	111.7	107.6	105.0	144.0	108.0	108.1
YEAR.....	105.9	106.2	105.7	104.1	114.5	106.0	102.1
<i>1947—</i>							
January.....	116.5	118.1	107.6	107.9	182.7	108.0	129.9
February.....	119.0	120.2	107.6	107.9	109.2	108.0	129.9
March.....	119.0	120.2	107.6	107.9	198.2	108.0	129.9
April.....	119.7	120.2	107.6	107.9	198.2	108.0	129.9
May.....	125.8	131.6	107.6	107.9	199.4	160.7	129.9
June.....	128.8	134.5	116.6	116.0	176.2	160.7	129.9
July.....	130.0	135.5	116.6	116.0	180.1	160.7	129.9
August.....	131.7	138.2	116.6	116.0	191.6	160.7	129.9
September.....	134.2	139.3	116.6	116.0	199.4	160.7	147.8
October.....	145.7	157.8	135.4	121.7	220.7	206.9	147.8
November.....	146.8	160.3	135.4	127.2	220.7	206.9	147.8
December.....	148.6	162.1	135.4	127.2	220.7	215.0	147.8
YEAR.....	130.5	136.5	117.5	114.9	198.9	155.3	135.9
<i>1948—</i>							
January.....	Not available	161.2	135.4	127.2	213.0	216.6	147.8
<i>1926=100 to January 1948.....</i>		258.8	201.9	228.4	374.4	312.7	112.8
<i>1939=100 to January 1948.....</i>		275.3	195.5	262.5	338.2	328.8	163.7

TABLE 6.—WHOLESALE PRICE INDEX NUMBERS OF SELECTED COMMODITIES AND COMMODITY GROUPS, DECEMBER, 1945 TO JANUARY, 1948—*Concluded*13. BUILDING MATERIALS—*Concluded*

—	Nails	Structural Steel Shapes	Window Glass	Cement (5 Cities)	Sand and Gravel	Brick Stucco and Sewer Pipe
<i>1945—</i>						
December.....	100.0	100.0	100.0	100.0	100.0	100.0
<i>1946—</i>						
January.....	100.0	100.0	100.0	100.0	101.3	100.0
February.....	111.5	100.0	100.0	100.0	101.3	100.0
March.....	111.5	100.0	100.0	100.0	101.3	100.0
April.....	118.0	114.6	100.0	100.0	99.3	100.0
May.....	118.0	114.6	100.0	100.0	100.7	100.0
June.....	118.0	114.6	100.0	100.0	100.7	100.0
July.....	118.0	114.6	100.0	99.9	100.7	100.0
August.....	118.0	114.6	100.0	99.9	100.7	100.0
September.....	118.0	114.6	100.0	99.9	100.7	100.0
October.....	118.0	114.6	100.0	99.9	100.7	108.2
November.....	118.0	114.6	100.0	99.9	100.7	108.2
December.....	118.0	114.6	100.0	99.9	110.0	113.7
YEAR.....	115.5	110.9	100.0	100.0	101.6	102.5
<i>1947—</i>						
January.....	118.0	114.6	100.0	99.9	110.0	114.4
February.....	118.0	114.6	100.0	102.4	115.2	114.4
March.....	118.0	114.6	100.0	102.4	115.2	114.4
April.....	118.0	114.6	100.0	104.3	109.3	114.4
May.....	118.0	114.6	100.0	104.3	109.3	114.4
June.....	134.5	114.6	100.0	104.3	109.3	117.3
July.....	134.5	114.6	104.9	104.3	114.7	117.4
August.....	134.5	114.6	104.9	107.0	114.7	117.4
September.....	134.5	114.5	104.9	107.0	114.7	117.4
October.....	142.7	123.7	104.9	107.0	114.7	117.4
November.....	142.7	123.7	104.9	107.3	118.6	117.4
December.....	142.7	123.7	104.9	112.0	124.5	117.4
YEAR.....	129.7	116.9	102.5	105.2	114.2	116.1
<i>1948—</i>						
January.....	142.7	123.7	104.9	112.5	124.5	117.4
<i>1926=100, to January, 1948..</i>	133.7	149.9	170.6	118.2	112.3	128.1
<i>1939=100, to January, 1948..</i>	142.7	153.0	180.1	122.2	132.3	149.0

TABLE 6(a).—POINT CHANGES IN THE GENERAL WHOLESALE PRICE INDEX
DECEMBER, 1945 TO DECEMBER, 1947

(The 39.6 point rise from December, 1945 to December, 1947 is broken down to show the contribution of groups and sub groups to this total).

	December 1945	December 1947	Point Increase or Decrease	Weight	Point Contri- butions
TOTAL COMPONENT.....	103.9	143.5	39.6	1000	39.6
I. <i>Vegetable Products</i>	97.0	130.7	33.7	300	10.1
Fruits.....	125.5	124.9	— 0.6		
Fresh.....	139.2	125.6	— 13.6	9	— 0.1
Dried.....	93.7	134.4	40.7	1	
Canned.....	74.8	111.3	36.5	1	
Grains.....	91.5	127.4	35.9	114	4.1
Flour and Milled Products.....	79.1	126.0	46.9	51	2.4
Bakery Products.....	86.8	114.1	27.3	27	0.7
Vegetable Oils.....	126.8	241.9	115.1	6	0.7
Rubber and Its Products.....	75.7	71.7	— 4.0	24	
Sugar and Its Products and Glucose.....	120.7	140.3	19.6	27	0.5
Tea, coffee, cocoa and spices.....	114.8	205.5	90.7	9	0.8
Vegetables.....	107.8	129.2	21.4		
Onions.....	185.5	217.3	31.8	1	
Potatoes.....	105.3	119.9	14.6	12	0.2
Canned Vegetables.....	80.9	120.3	39.4	4	0.2
Tobacco.....	73.3	81.1	7.8	4	
Miscellaneous Vegetable Products.....	109.9	146.6	36.7	10	0.4
II. <i>Animals and Their Products</i>	103.9	143.9	40.0	160	6.4
Fishery Products.....	130.7	172.7	42.0	15	0.6
Furs.....	106.5	65.1	— 41.4	5	— 0.2
Hides and Skins.....	97.0	180.0	83.0	2	0.2
Leather.....	111.9	200.5	88.6	2	0.2
Boots and Shoes.....	108.9	167.6	58.7	10	0.6
Livestock.....	143.8	181.0	37.2	5	0.1
Meats and Poultry.....	115.2	139.3	24.1		
Fresh Meats.....	136.5	162.1	25.6	21	0.5
Cured Meats.....	92.0	122.5	30.5	22	0.7
Poultry.....	110.7	91.6	— 19.1	4	
Milk and Its Products.....	101.0	162.1	61.1	55	3.4
Oils and Fats.....	84.0	123.5	39.5	7	0.2
Eggs.....	92.3	106.1	13.8	12	0.1
III. <i>Fibres, Textiles and Textile Products</i>	91.8	143.1	56.3	90	5.0
Cotton yarns and threads.....	96.3	143.1	46.8	3	0.2
Cotton Fabrics.....	82.5	154.7	72.2	30	2.2
Cotton Knit Goods.....	98.9	167.2	68.3	6	0.4
Miscellaneous Fibre Products.....	91.1	162.4	71.3	10	0.7
Rayon Thread and Yarn.....	72.0	91.5	19.5	1	

TABLE 6(a).—POINT CHANGES IN THE GENERAL WHOLESALE PRICE INDEX
DECEMBER, 1945 TO DECEMBER, 1947—*Continued*

(The 39.6 point rise from December, 1945 to December, 1947 is broken down to show the contribution of groups and sub groups to this total).

	December 1945	December 1947	Point Increase or Decrease	Weight	Point Contri- butions
III. Fabrics, Textiles and Textile Fabrics					
—Concluded					
Nylon Hosiery.....	73.1	68.0	— 5.1	4	.....
Rayon Fabrics.....	68.9	94.7	25.8	12	0.3
Rayon Yarn.....	49.0	58.8	9.8	2	.....
Raw Wool.....	94.7	120.9	26.2	1	.....
Worsted cloth yarn.....	107.5	133.6	26.1	.....	.....
Wool Blankets.....	123.7	147.9	24.2	.....	.....
Carpets.....	118.8	144.5	25.7	1	.....
Woollen Hosiery & Knit Goods.....	108.8	165.1	56.3	4	0.3
Woollen cloth.....	104.1	159.9	55.8	16	0.9
IV. Wood Products and Paper					
Newsprint rolls and wrapping paper.....	120.5	177.7	57.2	150	8.6
Lumber and Timber.....	90.7	122.4	31.7	71	2.4
Pine.....	160.5	260.1	99.6	.....	.....
Spruce.....	149.1	201.9	52.8	11	0.6
Hardwoods.....	179.5	228.4	48.9	14	0.7
Hemlock.....	124.5	195.6	71.1	3	0.2
Fir.....	182.5	223.2	40.7	3	0.1
Cedar.....	144.4	310.4	166.0	12	1.9
Furniture.....	175.8	388.0	212.0	6	1.3
Pulp.....	105.1	123.9	18.8	9	9.2
Matches.....	131.2	190.8	59.6	21	1.2
.....	92.3	92.3	.....	.....	.....
V. Iron and Steel Products					
Pig iron and steel Billets.....	117.0	149.3	32.3	120	3.9
Rolling Mill Products.....	104.6	154.8	50.0	10	0.5
Pipe.....	123.6	149.1	25.5	62	1.5
Hardware.....	133.2	170.5	37.3	12	0.5
Wire.....	93.9	125.4	31.5	12	0.4
Miscellaneous.....	105.5	144.3	38.8	12	0.5
Scrap.....	122.5	142.5	20.0	2	.....
.....	110.3	158.2	47.9	10	0.5
VI. Non-Ferrous Metals					
Aluminium.....	80.9	135.8	54.9	60	3.3
Antimony.....	70.8	66.6	— 4.2	5	.....
Copper and Its Products.....	110.8	203.8	93.0	.....	.....
Lead and Its Products.....	86.8	152.4	65.6	16	1.1
Nickel.....	62.1	166.9	103.9	12	1.2
Silver.....	97.5	109.2	11.7	10	0.1
Tin.....	95.8	148.0	52.2	8	0.4
Zinc.....	95.6	119.9	24.3	2	0.1
Solder.....	59.1	112.7	53.6	7	0.4
.....	94.0	128.7	34.7	.....	.....

TABLE 6(a).—POINT CHANGES IN THE GENERAL WHOLESALE PRICE INDEX
DECEMBER, 1945 TO DECEMBER, 1947—*Concluded*

(The 39.6 point rise from December, 1945 to December, 1947 is broken down to show the contribution of groups and sub groups to this total).

	December 1945	December 1947	Point Increase or Decrease	Weight	Point Contri- butions
VII. <i>Non-Metallic Minerals</i>	102.4	122.6	20.2	90	1.8
Clay and Allied Products.....	109.1	128.1	19.0	2	
Pottery.....	126.7	140.2	13.5	1	
Coal.....	125.0	149.6	24.0	34	0.8
Coal Tar.....	98.9	126.3	27.4	2	0.1
Coke.....	123.2	149.7	26.5	4	0.1
Gas, manufactured.....	100.6	106.6	6.0	4	
Glass and Its Products.....	104.4	108.7	4.3	1	
Window glass.....	162.7	170.6	7.9		
Plate glass.....	80.3	80.3			
Tumblers.....	94.9	105.5	10.6		
Petroleum and Its Products.....	79.8	98.6	18.8	29	0.5
Asphalt.....	103.3	131.1	27.8	1	
Salt.....	130.6	160.5	29.9		
Sulphur.....	134.5	131.2	- 3.3	1	
Plaster.....	112.1	119.2	7.1	1	
Lime.....	112.2	124.3	12.1		
Cement.....	105.1	117.7	12.6	44	
Sand and Gravel.....	90.2	112.3	22.1	1	
Crushed Stone.....	85.6	103.0	17.4	1	
Building Stone.....	70.8	80.2	90.4	2	0.2
Asbestos.....	74.1	112.2	38.1	2	0.1
VIII. <i>Chemicals and Allied Products</i> ...	98.4	112.8	14.4	80	0.4
Inorganic Chemicals.....	87.8	89.1	1.3	6	
Organic Chemicals.....	87.3	132.6	45.3	2	0.1
Coal Tar Products.....	91.1	113.0	21.9	1	
Dyeing and Tanning Materials.....	139.3	148.1	8.8	2	
Explosives.....	73.1	82.6	9.5	2	
Paint Materials.....	95.7	153.0	57.3	2	0.1
Prepared Paints.....	76.3	112.8	36.5	4	0.2
Drugs and Pharmaceuticals.....	160.1	105.3	-54.8	5	-0.2
Fertilizers.....	83.7	105.6	21.9	1	
Industrial Gases.....	87.6	96.2	8.6	1	
Soaps.....	93.8	136.5	42.7	4	0.1

TABLE 7.—SUB-GROUPS OF THE COST-OF-LIVING INDEX
(1935-39=100)

	December 1945	January 1948	Jan. 1948
			Dec. 1945
TOTAL INDEX.....	120.1	148.3	123.5
FOODS.....	134.3	182.2	135.7
Dairy Products.....	113.9	192.3	168.8
Eggs.....	162.6	165.2	101.6
Cereals.....	99.8	138.9	139.2
Meats and Fish.....	163.2	205.9	126.2
Dry Groceries.....	134.1	164.4	122.6
Vegetables.....	135.2	193.5	143.1
Fruits.....	148.1	163.7	110.5
RENT.....	112.3	119.9	106.8
FUEL AND LIGHT.....	107.1	120.4	112.4
Coal.....	118.6	146.6	123.6
Coke.....	142.1	156.6	126.2
Gas.....	105.1	97.4	92.7
Electricity.....	87.7	84.8	96.7
CLOTHING.....	122.5	161.2	131.6
Men's Wear.....	127.1	176.1	138.6
Women's Wear.....	122.8	150.9	122.9
Piece Goods.....	120.9	173.3	143.3
Footwear.....	112.5	146.1	129.9
HOME FURNISHINGS AND SERVICES.....	119.5	158.4	132.6
Furniture.....	128.1	180.5	140.9
Floor Coverings.....	119.9	145.7	121.5
Furnishings and Textiles.....	134.1	183.9	137.1
Hardware.....	127.5	170.9	134.0
Dishes and Glassware.....	122.6	175.2	142.9
Telephone.....	103.3	103.3	100.0
Laundry.....	102.9	130.8	127.1
Cleaning Supplies.....	107.9	141.0	130.7
MISCELLANEOUS ITEMS.....	109.6	122.6	111.9
Health.....	109.4	128.6	117.5
Personal Care.....	112.0	135.5	121.0
Transportation.....	109.4	116.6	106.6
Recreation.....	116.9	135.7	116.1
Life Insurance.....	99.9	104.2	104.3

TABLE 7(a).—POINT CHANGES IN THE COST-OF-LIVING INDEX DECEMBER, 1945
TO JANUARY, 1948

(The 28.2 point rise from December, 1945 to January, 1948 is broken down to show the contribution of budget groups and sub-groups to this total.)

	Sub-group	Group	Total
GRAND TOTAL.....			28.2
FOODS—		14.9	
Dairy Products.....	7.4		
Eggs.....	0.1		
Cereals.....	1.6		
Meats and Fish.....	3.6		
Dry Groceries.....	0.9		
Vegetables.....	1.2		
Fruits.....	0.1		
RENT.....		1.4	
FUEL AND LIGHT.....		0.8	
Coal.....	+ 0.7		
Coke.....	+ 0.2		
Gas.....	— 0.05		
Electricity.....	— 0.05		
CLOTHING.....		4.6	
Men's Wear.....	2.4		
Women's Wear.....	1.2		
Piece Goods.....	0.2		
Footwear.....	0.8		
HOME FURNISHINGS AND SERVICES.....		3.5	
Furniture.....	1.7		
Floor coverings.....	0.2		
Furnishings and Textiles.....	0.7		
Hardware.....	0.1		
Dishes and Glassware.....	0.1		
Telephone.....	—		
Laundry.....	0.2		
Cleaning Supplies.....	0.5		
MISCELLANEOUS ITEMS.....		3.0	
Health.....	0.8		
Personal Care.....	0.5		
Transportation.....	0.4		
Recreation.....	1.1		
Life Insurance.....	0.2		

TABLE 8.—INDIVIDUAL FOOD PRICES AT JANUARY, 1948 AND THEIR INDEXES ON BASE AUGUST 1939=100 AT DECEMBER, 1945 AND JANUARY, 1948

(NOTE: Prices taken at independent stores in 64 cities)

Commodity	Unit	Price at January, 1948	Index August, 1939	Index December, 1945	Index January, 1948
Beef, sirloin steak.....	lb.	51.0	100.0	154.8	182.8
Beef, round steak.....	lb.	47.6	100.0	167.9	200.8
Beef, rib roast.....	lb.	47.9	100.0	174.3	208.3
Beef, shoulder.....	lb.	31.6	100.0	162.3	198.7
Beef, stewing, boneless.....	lb.	29.0	100.0	168.3	212.3
Veal, front roll, boneless.....	lb.	33.5	100.0	174.0	198.2
Lamb, leg roast.....	lb.	50.1	100.0	152.8	176.4
Pork, fresh loins, centre cut.....	lb.	49.3	100.0	143.8	181.4
Pork, fresh shoulder, hock-off.....	lb.	36.7	100.0	143.4	192.7
Bacon, side, fancy, sliced, rind-on.....	lb.	62.5	100.0	142.5	196.0
Lard, pure.....	lb.	28.0	100.0	159.6	245.6
Shortening, vegetable.....	lb.	31.6	100.0	137.5	219.4
Eggs, grade "A", large.....	doz.	58.2	100.0	181.3	186.9
Milk.....	qt.	16.8	100.0	95.4	154.1
Butter, creamery, prints.....	lb.	73.2	100.0	148.0	268.1
Cheese, plain, mild, $\frac{1}{2}$ lb.....	pkg.	27.3	100.0	165.4	204.3
Bread, plain, white, wrapped.....	lb.	9.1	100.0	106.3	144.4
Flour, first grade.....	lb.	6.2	100.0	124.2	187.9
Rolled oats, package.....	lb.	9.6	100.0	114.0	152.0
Corn flakes, 8-oz.....	pkg.	13.2	100.0	100.0	143.5
Tomatoes, canned, 2 $\frac{1}{2}$ s.....	tin	27.1	100.0	137.7	255.7
Peas, canned, 2's.....	tin	18.1	100.0	121.7	150.8
Corn, canned, 2's.....	tin	22.3	100.0	132.7	197.3
Beans, dry.....	lb.	14.9	100.0	133.3	292.2
Onions.....	lb.	7.9	100.0	126.5	161.2
Potatoes.....	15 lbs.	60.3	100.0	149.4	183.8
Prunes, bulk.....	lb.	20.4	100.0	120.2	178.9
Raisins, seedless, bulk.....	lb.	22.4	100.0	108.6	148.3
Oranges.....	doz.	40.0	100.0	154.3	136.5
Lemons.....	doz.	49.9	100.0	148.6	153.5
Jam, strawberry, in jar.....	lb.	26.3	100.0	115.1	160.1
Peaches, 20-oz.....	tin	30.8	100.0	106.1	156.3
Marmalade, orange, in jar.....	lb.	20.2	100.0	128.9	148.8
Corn syrup, 2 lb.....	tin	34.6	100.0	157.7	202.0
Sugar, granulated.....	lb.	9.7	100.0	132.3	149.2
Sugar, yellow.....	lb.	9.7	100.0	134.9	154.0
Coffee.....	lb.	58.3	100.0	131.7	172.5
Tea, black, $\frac{1}{2}$ -lb.....	pkg.	51.1	100.0	131.6	173.8

V.—*Farm Costs and Receipts*—

Table 9 shows price indexes for commodities and services used by farmers. These include equipment, implements and materials such as feed, seed and fertilizer, together with farm family living costs, taxes and mortgage interest and farm wage rates.

Table 10 shows price indexes for Canadian farm products, when *priced at the farm*. These indexes differ from the farm products' indexes in Table 3, which refer to farm products when they get into commercial channels or at terminal warehouses or at stockyards. Table 10 contains indexes which exclude wheat participation payments still to be announced—that is, for the 1945-46 and 1946-47 crop years.

TABLE 9.—PRICE INDEXES FOR COMMODITIES AND SERVICES USED BY FARMERS

(a) COMBINED INDEXES

	Composite Index ¹	Equipment and Materials	Living Costs	Taxes and Mortgage Interest	Wage Rates
1926.....	125.9	120.6	120.9	133.7	167.9
1939.....	99.3	96.1	99.5	100.6	108.1
1945—August.....	136.9	125.7	123.7	110.6	301.0
1946—January.....	134.2 _r	125.9	124.6	109.9	247.4
April.....	138.7 _r	128.2 _r	126.1	.....	299.1
August.....	141.7 _r	128.6 _r	130.5	.....	316.5
1947—January.....	140.9	130.4	132.2	109.9*	273.4
April.....	148.5	138.5	136.1	.....	322.2
August.....	157.1	145.8	146.5	.....	343.5

¹ The composite index in column 1 consists of four separate indexes: equipment and materials, tax and interest rates, wage rates and farm family living costs. They are explained in greater detail in the August 1944 issue of "Price Index Numbers of Commodities and Services used by Farmers".

_r Revised.

* Nominal.

(b) EQUIPMENT AND MATERIALS IN DETAIL

	Imple-ments	Ferti-lizer	Seed	Feed	Gasoline, Oil, Grease	Building Materials	Hard-ware	Binder Twine
1926.....	97.3	129.0	127.8	137.6	131.0 _r	114.0	103.7	184.5
1939.....	103.9	107.2	80.2	80.1	97.6	108.1	101.6	93.8
1945—August.....	113.1	108.0	139.5	129.6	120.1	174.2	119.2	126.4
1946—January.....	113.1	108.0	142.3	129.6	120.1	174.3	119.2	126.4
April.....	119.3	108.0	144.4	130.0	121.9	175.3	120.4	126.4
August.....	119.3	110.1	142.4	130.6	121.9	175.9	122.8	126.4
1947—January.....	122.7	110.8	145.8	131.7	122.4	177.4	124.1	126.4
April.....	122.7	110.8	163.8	144.9	126.4	178.9	128.0	226.2
August.....	122.7	125.2	185.6	148.8	127.7	202.9	136.8	226.2

_r Revised.

TABLE 10.—INDEX NUMBERS OF FARM PRICES OF AGRICULTURAL PRODUCTS FOR CANADA

(BASE 1935-39=100)

Annual Averages	Month	Monthly Averages		
		1945	1946	1947
1935..... 88.0	January.....	173.5	179.1	186.5
1936..... 96.9	February.....	174.8	180.3	186.9
1937..... 119.7	March.....	175.4	180.6	189.2
1938..... 105.0	April.....	176.3	182.8	190.3
1939..... 91.8	May.....	175.9	184.8	191.9
1940..... 96.8	June.....	178.1	186.9	194.8
1941..... 110.2	July.....	179.5	188.4	194.9
1942..... 133.1	August.....	178.4	187.8	196.5
1943..... 157.8	September.....	175.7	184.4	200.1
1944..... 172.3	October.....	175.5	183.9	200.2
1945..... 177.3	November.....	176.7	184.6	203.9
1946..... 184.1	December.....	177.8	185.3	

¹ Includes revised data since last report.

The prices used in computing the index are, as closely as can be determined, the prices which are actually received by farmers. Thus the storage, transportation, processing and handling charges which are not actually received by farmers are not included. On the other hand subsidies, bonuses and premiums which can be attributed to specific products are all included to date.

Advance and final equalization payments on oats and barley are included up to July, 1945. From that date the advance payments only are included until their discontinuance on March 18, 1947. The amounts paid per bushel on wheat participation certificates are included in the wheat prices up to July, 1945. In the 1945-46 crop year the ten cents per bushel retroactive increase announced on July 30, 1946 is included.

In compiling the index the fixed base weighted aggregative method has been used. Each commodity has been weighted by the annual average amounts sold in the five-year base period 1935-39. No adjustments for seasonal variation of the prices have been made. The index is based upon prices for about 50 farm products which contributed approximately 90 per cent to the total cash income received by farmers from the sale of farm products during the base period. The series is subject to revision as more complete data become available.

Source: Agricultural Branch, D. B. S.

VI. *Income Data*—

The following tables show the components of Net National Income at Factor Cost and Personal Income, together with the Disposition of Personal Income on Consumer Expenditure, Taxes and Savings. Personal Income differs from Net National Income because it excludes elements of income not paid out during the year; *e.g.*, employer and employee contributions to social insurance and pension funds, undistributed profits of corporations and investment income of government corporations.

The succeeding tables show incomes of particular groups, together with employment and earnings data which may be assessed in the light of cost-of-living increases.

TABLE 11(a).—NET NATIONAL INCOME AT FACTOR COST AND GROSS NATIONAL PRODUCT AT MARKET PRICES, 1938-1947
(Millions of Dollars)

Item No.	1938	1939	1940	1941	1942	1943	1944	1945	Revised Prelim. 1946	Prelim. 1947
1. Salaries, wages and supplementary labour income.....	2,476	2,565	2,922	3,555	4,219	4,703	4,869	4,859	5,195	6,125
2. Military pay and allowances.....	9	32	193	386	641	910	1,068	1,132	340	83
3. Investment income.....	687	776	1,120	1,480	1,717	1,723	1,755	1,911	1,903	2,060
4. Net income of agriculture and other unincorporated business.....	800	901	1,001	1,123	1,696	1,605	1,904	1,742	2,179	2,467
5. NET NATIONAL INCOME AT FACTOR COST (1) + (2) + (3) + (4).....	3,972	4,274	5,236	6,544	8,273	8,941	9,596	9,644	9,617	10,735
6. Indirect taxes less subsidies.....	630	726	826	1,048	1,073	1,126	1,123	1,000	1,239	1,538
7. Depreciation allowances and similar business costs.....	560	582	655	755	900	929	881	792	815	835
8. Residual error of estimate for reconciliation with Table 2, Item 7.....	-21	-1	+23	+56	+241	+248	+220	+178	-15	-56
9. GROSS NATIONAL PRODUCT AT MARKET PRICES (5) + (6) + (7) + (8).....	5,141	5,581	6,740	8,403	10,487	11,244	11,820	11,614	11,656	13,052

FOOTNOTE:—

Item 7 includes an estimate of "capital outlay charged to current account", which has also been included with Item 3(a), "Gross home investment" in Table 2.

TABLE 11(b).—GROSS NATIONAL EXPENDITURE AT MARKET PRICES, 1938-1947
(Millions of Dollars)

Item No.	—	1938	1939	1940	1941	1942	1943	1944	1945	Revised Prelim. 1947	Prelim. 1947
1.	Personal expenditure on consumer goods and services.....	3,714	3,817	4,334	4,979	5,508	5,822	6,235	6,782	7,682	8,711
2.	Government expenditure—										
	(a) Goods and services, excluding Mutual Aid, etc.....	721	760	1,182	1,776	2,883	3,781	4,145	2,717	1,646	1,462
	(b) Mutual Aid, UNRRA and Military Relief.....					1,002	518	960	1,041	187	38
3.	Gross home investment—										
	(a) Plant, equipment and housing.....	576	554	713	995	931	828	756	865	1,321	2,042
	(b) Inventories.....	7	329	368	218	333	-42	-83	-294	475	780
4.	Exports of goods and services.....	1,359	1,449	1,792	2,458	2,347	3,443	3,566	3,576	3,170	3,538
5.	Imports of goods and services.....	-1,257	-1,328	-1,626	-1,967	-2,275	-2,858	-3,539	-2,895	-2,850	-3,576
6.	Residual error of estimate for reconciliation with Table 1, Item 9.....	+21		-23	-56	-242	-248	-220	-178	+15	+57
7.	GROSS NATIONAL EXPENDITURE AT MARKET PRICES (1) + (2) + (3) + (4) + (5) + (6).....	5,141	5,581	6,740	8,403	10,487	11,244	11,820	11,614	11,656	13,052

FOOTNOTES:—

Item 3 (a)—See footnote, Item 7, Table 1.

Item 3 (b)—Includes grain held by the Canadian Wheat Board.

Item 4—Excludes Mutual Aid, UNRRA and Military Relief.

Item 4 and 5—Minor adjustments have been made to the figures of current receipts and payments shown on page 23 of "The Canadian Balance of International Payments, 1926-1946", Dominion Bureau of Statistics, to achieve consistency with the other component series.

TABLE 11 (c).—PERSONAL INCOME
(MILLIONS OF DOLLARS)

Item No.	1938	1939	1940	1941	1942	1943	1944	1945	Prelim. 1946*	Prelim. 1947
1.	2,476	2,565	2,922	3,555	4,219	4,730	4,869	4,859	5,195	6,125
	—33	—35	—38	—68	—111	—125	—134	—136	—145	—165
2.	9	32	193	386	641	910	1,068	1,132	340	83
3.	800	901	1,001	1,123	1,696	1,605	1,904	1,742	2,179	2,467
4.	511	553	594	618	683	717	765	805	845	911
5.	263	250	225	198	227	217	264	553	1,109	824
	5	6	7	10	12	12	11	12	13	14
6.	4,031	4,272	4,904	5,822	7,367	8,039	8,747	8,967	9,536	10,259

FOOTNOTE:—

Item 5 (a).—Excludes government interest on debt not incurred to finance existing real assets, since this is included under Item 4 above.
* Revised.

TABLE 11 (d).—DISPOSITION OF PERSONAL INCOME
(MILLIONS OF DOLLARS)

Item	1938	1939	1940	1941	1942	1943	1944	1945	Prelim. 1946*	Prelim. 1947
1. Personal direct taxes—										
(a) Income taxes.....	62	61	91	239	433	631	771	733	711	694
(b) Succession duties.....	32	28	23	30	37	38	40	47	52	55
(c) Miscellaneous.....	31	32	34	28	24	28	25	25	31	31
Total direct taxes.....	125	121	148	297	494	697	836	805	794	780
2. Personal expenditure on consumer goods and services.....	3,714	3,817	4,334	4,979	5,508	5,822	6,235	6,782	7,682	8,711
3. Personal Saving.....	192	334	422	546	1,365	1,520	1,676	1,380	1,060	768
4. PERSONAL INCOME—										
(1) + (2) + (3).....	4,031	4,272	4,904	5,822	7,367	8,039	8,747	8,967	9,536	10,259

Item: 1. The tax figures are actual collections in the current year reduced in the case of income taxes by the estimated refundable portion which has been treated as savings. Miscellaneous direct taxes include the personal share of motor vehicle and other licenses, permits, and fees.

3. Personal saving is estimated residually by deducting personal direct taxes and personal expenditure on goods and services from total personal income in Table 3. It includes changes in farm inventories, and the estimated refundable portion of personal income taxes as follows:

	1938	1939	1940	1941	1942	1943	1944	1945	Prelim. 1946*	Prelim. 1947
Net changes in farm inventories.....	36	60	80	58	368	-62	-124	-238	47	-31
Refundable personal taxes.....					59	138	76	4		

* Revised.

SPECIAL COMMITTEE

TABLE 12.—WAGES, SALARIES AND SUPPLEMENTARY LABOUR INCOME, CANADA,
1938-1947

(MILLIONS OF DOLLARS)

1938.....	2,476
1939.....	2,565
1940.....	2,922
1941.....	3,555
1942.....	4,219
1943.....	4,703
1944.....	4,869
1945.....	4,859
1946.....	5,195
1947 January.....	465
February.....	472
March.....	475
April.....	475
May.....	490
June.....	506
July.....	522
August.....	528
September.....	538
October.....	545

Sources: 1. National Accounts, Income and Expenditure, 1938-1946, D.B.S. 1947.

2. Monthly Estimates of Canadian Labour Income. (Monthly Bulletins, D.B.S.)

TABLE 13.—NET INCOME OF AGRICULTURE BY PROVINCE

(MILLIONS OF DOLLARS)

Item No.		1938	1939	1940	1941	1942	1943	1944	1945	Prelim. 1946
1	Prince Edward Island.....	3	4	4	5	8	10	9	10	10
2	Nova Scotia.....	13	9	11	9	12	19	17	14	21
3	New Brunswick.....	7	8	11	13	20	26	25	23	26
4	Quebec.....	65	78	92	107	138	170	175	152	198
5	Ontario.....	131	129	137	178	267	246	282	201	324
6	Manitoba.....	34	36	43	55	107	115	114	86	126
7	Saskatchewan.....	25	110	103	81	301	205	355	205	284
8	Alberta.....	79	74	93	78	208	138	196	135	206
9	British Columbia.....	14	13	14	22	28	40	40	45	49
10	CANADA.....	371	461	508	548	1,089	969	1,213	971	1,244

Item 9 includes Yukon and Northwest Territories.

TABLE 14.—INDEX NUMBERS OF WAGE RATES FOR CERTAIN MAIN GROUPS OF INDUSTRIES IN CANADA, 1913-1946

(Rates in 1935-39=100)

Year	Log- ging	Coal Mining	Metal Mining	Manu- fac- turing	Con- struc- tion	Water Trans- por- tation	Steam Rail- ways	Elec- tric Rail- ways	Laun- dries	Tele- phone	Gen- eral Aver- age
1913.....	76.4	59.0	67.1	50.0	60.5	57.2	51.4	52.7	47.8	.....	54.9
1914.....	71.5	60.1	67.2	51.6	61.0	58.1	52.4	53.2	50.0	.....	55.6
1915.....	68.0	60.4	68.1	53.1	61.4	59.4	52.3	51.6	48.3	.....	56.0
1916.....	81.2	65.9	75.2	57.6	62.0	60.4	54.4	53.9	51.6	.....	59.9
1917.....	106.5	77.2	83.4	64.0	66.5	71.0	64.0	60.4	57.8	.....	68.7
1918.....	122.6	93.1	90.6	73.4	76.2	86.5	81.2	75.3	66.7	.....	80.7
1919.....	141.5	100.6	90.9	90.1	89.7	95.4	94.6	86.1	76.4	.....	94.8
1920.....	158.4	116.6	105.8	108.5	109.5	115.7	113.6	102.4	89.7	95.1	112.7
1921.....	113.6	122.9	97.9	101.1	103.2	105.6	100.7	101.3	99.0	94.6	102.7
1922.....	88.5	116.7	90.5	94.6	98.4	95.4	94.8	97.2	99.9	89.9	95.9
1923.....	104.0	116.7	94.5	98.1	100.7	100.7	95.8	98.2	101.3	91.3	98.6
1924.....	117.7	113.5	94.6	98.8	102.7	99.2	95.8	98.3	101.6	91.8	99.8
1925.....	105.8	98.9	95.9	97.8	103.1	99.4	95.8	99.0	100.7	91.9	98.8
1926.....	106.2	98.8	95.8	98.4	104.2	99.2	95.8	99.3	101.6	92.5	99.4
1927.....	108.6	99.1	95.9	99.7	108.5	100.4	102.0	100.1	102.5	94.2	101.5
1928.....	110.1	99.6	95.8	100.5	112.3	101.1	102.0	102.3	103.3	96.0	102.7
1929.....	109.7	99.6	96.4	101.1	119.6	105.7	105.0	104.7	103.5	97.1	104.5
1930.....	108.4	99.9	96.5	101.2	123.0	106.9	105.0	105.1	103.7	97.6	105.2
1931.....	90.6	99.9	95.2	98.7	118.5	102.3	102.4	104.7	103.2	97.9	101.7
1932.....	74.6	96.8	92.2	92.2	107.9	95.1	94.6	100.7	100.7	91.3	94.5
1933.....	63.8	95.5	91.1	87.9	95.6	89.3	92.4	96.3	98.6	90.6	89.6
1934.....	73.0	96.1	93.4	90.3	93.7	88.6	89.3	96.2	97.7	96.6	90.5
1935.....	81.3	97.8	95.2	92.2	96.7	89.2	94.6	96.8	98.2	95.9	93.1
1936.....	89.9	97.9	97.6	94.4	97.3	90.6	94.6	97.8	98.7	96.7	94.8
1937.....	104.4	98.4	101.9	101.9	100.1	101.2	100.8	100.4	100.0	101.6	101.8
1938.....	113.2	102.9	102.4	105.2	102.5	109.0	105.0	102.1	101.4	102.8	104.9
1939.....	111.2	102.9	102.8	106.0	103.3	110.0	105.0	102.7	101.7	103.1	105.3
1940.....	116.6	105.1	105.7	110.6	107.9	115.7	105.0	106.7	107.2	104.4	109.4
1941.....	126.8	112.6	115.3	122.1	115.3	124.6	114.9	112.1	112.4	109.7	119.1
1942.....	140.0	116.4	122.0	133.0	122.5	138.4	120.5	119.0	118.5	115.5	129.0
1943.....	159.1	128.4	126.5	145.1	131.9	152.7	131.8	124.5	129.5	125.7	140.8
1944.....	162.4	150.3	128.8	150.0	133.9	156.4	131.8	129.1	131.1	126.2	145.2
1945.....	170.4	150.5	131.8	155.4	135.5	159.0	131.8	130.1	137.7	129.5	149.4
1946.....	186.1	151.0	138.6	171.3	148.7	178.5	149.4	143.3	150.0	129.1	163.5

SOURCE: Wage Rates and Hours of Labour in Canada, 1945, Dominion Department of Labour.

TABLE 15.—AVERAGE WEEKLY INDUSTRIAL EARNINGS, CANADA

1941-1947

Period	Nine Leading Indus- tries	Manu- factur- ing	Logging	Mining	Com- muni- cations	Trans- porta- tion	Con- struc- tion	Ser- vices	Trade	Finance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
June, 1941.....	25.49	25.68	18.83	30.97	27.09	31.63	22.57	15.98	22.68	28.60
Averages, 1942...	28.61	29.17	29.34	34.79	28.13	34.69	26.45	17.37	24.07	30.20
“ 1943...	30.79	31.50	24.78	36.09	29.36	35.86	29.64	18.58	25.23	31.19
“ 1944...	31.85	32.66	26.54	38.05	30.81	37.07	29.74	19.41	26.21	32.35
“ 1945...	32.04	32.65	26.89	38.60	31.48	38.82	30.08	19.87	26.85	33.51
“ 1946...	32.48	32.51	29.03	39.21	32.76	40.07	31.53	21.06	28.45	34.85
Jan. 1947.....	32.77	32.40	32.35	35.50	33.63	43.06	31.00	22.19	29.00	35.75
Feb. “.....	35.09	35.34	31.78	42.12	33.61	44.10	33.76	22.77	30.47	36.49
Mar. “.....	35.66	35.81	34.29	43.30	33.74	44.47	34.89	23.20	30.77	36.66
Apr. “.....	35.78	35.98	36.61	43.17	34.02	44.40	33.66	23.25	30.83	36.96
May “.....	35.95	36.27	35.19	43.54	33.76	43.55	34.63	23.37	31.11	37.42
June “.....	36.07	36.64	33.88	41.17	34.41	43.37	34.45	23.22	31.50	37.51
July “.....	36.20	36.47	35.16	43.27	34.41	43.99	34.76	23.51	31.74	37.50
Aug. “.....	36.57	36.97	35.36	43.69	34.72	43.98	35.70	23.29	31.79	37.52
Sept. “.....	36.79	37.16	36.76	44.31	34.88	44.22	35.85	23.40	31.88	37.40
Oct. “.....	37.38	38.04	36.63	45.29	34.95	44.45	36.55	24.07	31.99	37.20
Nov. “.....	37.71	38.47	36.85	44.77	35.33	44.99	36.85	24.38	32.29	37.21

Sources: 1. Annual Review of Employment and Payrolls in Canada, 1942 and 1946.

2. Monthly bulletins—The Employment Situation, January to November, 1947.

TABLE 16.—AVERAGE WEEKLY EARNINGS AND COST-OF-LIVING INDEX,
JUNE, 1941 TO NOVEMBER, 1947.

	Average Weekly ⁽¹⁾ Earnings Index (9 Indus- tries)	Cost of Living ⁽²⁾ Index Re-based	Index of ⁽³⁾ "Real Earnings
1941—June.....	100.0	100.0	100.0
1942.....	112.2	105.9	105.9
1943.....	120.8	107.1	112.8
1944.....	124.9	107.6	116.1
1945.....	125.7	108.1	116.3
1946.....	127.4	111.9	113.9
1947—January.....	128.6	114.9	111.9
February.....	137.7	115.7	119.0
March.....	139.9	116.7	119.9
April.....	140.4	118.2	118.8
May.....	141.0	120.5	117.0
June.....	141.5	122.1	115.9
July.....	142.0	123.0	115.4
August.....	143.5	123.6	116.1
September.....	144.3	126.2	114.3
October.....	146.6	128.7	113.9
November.....	147.9	130.0	113.8
December.....			

(1) See Table 15.

(2) Converted from Table 4.

(3) Average Weekly Earnings Index divided by Cost-of-Living Index.

TABLE 17.—INDEX NUMBERS OF EMPLOYMENT, BY INDUSTRIES, 1938-1947

(1926=100)

Year	Manu- factur- ing	Logging	Mining	Com- munica- tions	Trans- porta- tion	Con- struc- tion	Services	Trade
Average 1938.....	111.0	142.8	155.9	85.0	84.4	105.4	135.2	132.6
" 1939.....	112.3	119.1	163.8	84.4	85.6	113.0	137.4	136.6
" 1940.....	131.3	166.9	168.4	87.2	89.7	90.7	143.2	142.9
" 1941.....	168.4	187.8	176.6	96.7	98.9	126.6	167.5	156.5
" 1942.....	206.5	196.5	171.3	103.7	105.5	130.3	178.8	156.1
" 1943.....	226.2	180.4	158.5	104.5	114.4	129.8	189.8	155.1
" 1944.....	224.5	215.8	154.5	108.6	121.2	104.6	202.2	164.2
" 1945.....	203.6	247.3	146.9	117.6	124.5	109.1	205.7	174.8
" 1946.....	196.3	268.5	155.2	141.9	128.4	129.6	224.2	191.2
Jan. 1947.....	190.6	370.5	154.0	154.9	132.0	125.1	223.7	212.3
Feb. ".....	193.9	335.6	162.1	155.1	129.3	121.2	224.8	196.4
Mar. ".....	194.5	377.9	135.9	156.6	129.9	123.8	226.4	197.4
Apr. ".....	195.2	331.0	138.7	159.0	131.1	128.6	228.5	200.2
May ".....	195.8	241.3	139.5	161.4	134.7	133.2	231.9	200.7
June ".....	197.6	239.8	157.6	165.7	139.9	149.6	238.4	201.6
July ".....	200.6	241.5	167.5	169.9	141.2	165.0	250.5	205.9
Aug. ".....	202.5	246.0	170.2	173.5	142.7	176.2	260.2	206.0
Sept. ".....	203.3	242.2	167.1	171.6	141.8	179.9	258.7	207.2
Oct. ".....	203.6	286.1	165.2	169.4	141.7	180.4	251.0	211.7
Nov. ".....	205.0	346.4	167.8	168.0	138.2	180.7	245.0	216.7

Sources: (1) Annual Review of Employment and Payrolls in Canada, 1946; Prices and Labour Division, D.B.S.

(2) The Employment Situation, November, 1947; Prices and Labour Division, D.B.S.

SUPPLEMENT-PRICES AND PRICE INDEXES, JANUARY 1947.

THE DOMINION BUREAU OF STATISTICS COST-OF-LIVING INDEX

(An explanatory statement incorporating all revisions made to January 2, 1947.)

The index budget is divided into six expenditure groups for which separate indexes are calculated; these are foods, fuel and light, rent, clothing, home-furnishings and services, and miscellaneous items. Each group contains a list of items sufficiently large to make it representative of the merchandise field covered. It would be possible to add many more minor items without affecting the movements of the composite cost-of-living index by any significant amount. These additions would lengthen the time required to calculate the index and impose a greater burden upon firms making price reports, without improving the accuracy of the index. In many cases accuracy might be reduced, as comparisons on a quality, or specific quantity basis are not possible over a long period. This would be true of style merchandise such as women's hats. The cost of all these omitted items are included in group weights, which represent all expenditures falling within the six groups noted above. The base period food weight of 31 per cent, for example, was calculated from total costs reported by survey families, although the food index includes only 47 items which represent about 75 per cent of a representative family's food expenditure.

Foods: Prices used in calculating food indexes are collected on the first business day of each month from approximately 1,600 stores including independent and chain grocers and butchers. Quotations for each of the 47 budget items are averaged and then multiplied by the budget quantity for each individual item to find the cost for that item. These individual cost figures are added together to find the total cost of the food budget; this figure is then expressed as a percentage of the corresponding reference period cost to find the food index.

Fuel and Light: Separate indexes are calculated for coal, coke, gas and electricity. The two last mentioned are reckoned from monthly bills for quantities which are typical of consumption in the cities represented. The bill for each city is weighted by the number of domestic consumers in order to calculate Dominion indexes. The coal index also takes account of typical amounts consumed in different areas and of the population of each city represented in the index. Price changes for coal are related to kinds used in the greatest quantity in each area.

Rents: There are two tenant wage-earner families for every home-owning wage-earner family in Canada, and the cost-of-living index is calculated on the assumption that housing costs generally are reflected in rental trends. Rental surveys are made by the Bureau at the May and October leasing periods. Rental agents are asked to report upon the current position of rents relative to those at the preceding lease date, as indicated by their list of rental properties. In the workmen's group of dwellings, upon which the rental index is based, records are collected for houses, flats and apartments. Before reporting blanks are sent out, rent data and property descriptions reported by each agent for the last period are copied onto the new schedule in order to maintain continuity from period to period. The calculation of the rent index is similar to that for the fuel and light series, with two sub-group indexes being reckoned first for houses, and flats and apartments. Very complete weighting data have been used, recognizing the different numbers of each type of dwelling in various centres. Approximately 200 reports from 58 cities are used in making rental indexes.

Clothing: The clothing index has been based upon a carefully selected list of men's and women's apparel. It includes no children's clothing, and omits some items of adult clothing which are of considerable importance, such as women's

dressess for afternoon and evening wear, women's hats, men's hats and gloves. Usual difficulties in maintaining continuous price series on the same quality of goods occur in clothing due to style and seasonal changes which must be excluded from price comparisons based upon quality. The items in the clothing index have been selected to represent the basic materials entering into clothing in approximately the same proportions as they would be found in a complete clothing budget. Some of the items chosen to represent basic materials form a comparatively small portion of a complete budget, but are useful in measuring clothing price trends because of their standard construction. Women's woollen hose afford an example of such items. The index contains 32 items of clothing, piece goods and footwear and price series for these have been examined individually over a period of years to test their reliability. Most apparel now is composed of five basic materials, cotton, wool, rayon, leather, and rubber. The Bureau has reduced its clothing list on the assumption that 32 accurate price series will measure the trend of clothing prices better than a large list including items which fluctuate widely in price due to style and seasonal factors. Department stores are the source of Bureau clothing prices. These distributors handle approximately one-third of the Dominion's clothing trade, and make monthly price returns to the Bureau, especially designed for the cost-of-living index.

Home Furnishings and Services: The home furnishings and services index is a composite of eight sub-groups, including two sets of service costs in addition to actual furnishings. The eight sub-groups are: furniture, floor coverings, textile furnishings, hardware, dishes and glassware, cleaning supplies, laundry and telephone. The complete group accounted for 9 per cent of the base period index budget cost placing in next to clothing in importance. It approximates clothing also in many details of construction. The data for furniture, floor coverings, textile furnishings, hardware, dishes and glassware are obtained from department stores and the same principle of the representation of basic materials by a comparatively small number of items is used. There are 8 items of furniture, 3 of floor coverings, 4 of textile furnishings, 5 of hardware, 2 of dishes and glassware, 4 of cleaning supplies, 3 laundry rates and one type of telephone service.

Miscellaneous: Five sub-groups, health maintenance, personal care, transportation, recreation and life insurance comprise the miscellaneous index. This list does not exhaust all remaining family living expenditures, but most of those which are left such as church contributions, the support of dependents, etc., cannot be treated in the same way as items which are bought and sold. The index takes no account of these items which amounted to only 3 per cent of average wage-earner family living expenditures reported in the Bureau's 1938 survey.

The health section is based upon prices for 6 items of household medical supplies, 2 kinds of hospital service, 3 types of doctors' fees, and rates for 6 types of dental service. In view of the stability of fees for doctors, dentists and hospitals these records are collected only at annual intervals while medical supplies are priced quarterly. Records for practically all miscellaneous sub-indexes are collected from 23 of the larger cities, chosen to give adequate regional representation.

Personal care costs are represented by 7 items of toilet requirements plus fees for men's haircuts and shaves.

Three kinds of transportation are represented in the transportation sub-group: motor car, street car and railway. The two latter present no special problems, but motor car operating costs are more difficult to measure. The Bureau's record is based upon service station prices of gasoline, licence fees, wage rates for garage mechanics and tires. It is assumed that depreciation is 35 per cent of operating costs, and that for car owners as a group it remains constant from year to year.

The recreation section includes records of motion picture theatre admissions, and newspaper, magazine and tobacco costs.

The life insurance index is based upon premiums for ordinary non-participating life policies, since these appear to give the closest possible approximation to the cost of pure risk. Averages of premiums for ages 20, 35 and 50 years have been used covering the records of 11 large companies.

THE COST-OF-LIVING INDEX WEIGHTING SYSTEM

There are two stages in the calculation of each of the six principal group indexes from which the composite number is calculated. In the first stage, the general procedure is to multiply current price averages by budget quantities. These products are added together and the resultant aggregate divided by a corresponding base period aggregate. This number is multiplied by 100.0 to secure a sub-group index for the current period. The index is then multiplied by a sub-group weight indicative of the cost of goods in this sub-group relative to all goods in the group. When all sub-groups have been weighted similarly, the group index is found by adding up this second set of products and dividing by 100.0. This routine is repeated to secure the final composite cost-of-living index. The second and third stages of weighting are made necessary by the fact that it is not feasible to include all items in the family budget.

The complete list of items and weights is shown following.

WEIGHTING SYSTEM OF THE DOMINION BUREAU OF STATISTICS COST-OF-LIVING INDEX

(As at January 2, 1947)

	Commodity Weights (Weekly Quantities)	Sub-Group Weight	Group Weight
A. FOOD			31
1. CHAIN STORES		1	
2. INDEPENDENT STORES		2	
<i>Dairy Products</i>			
Milk	10.5 qts.		
Butter	2.8 lbs.		
Cheese	0.4 "		
Eggs	1.4 doz.		
<i>Meats and Fish</i>			
Sirloin Steak	0.5 lbs.		
Round Steak	0.9 "		
Rolled Rib Roast	0.7 "		
Blade Roast	1.1 "		
Stewing Beef	1.0 "		
Veal	1.0 "		
Lamb	0.3 "		
Pork, fresh loins	1.5 "		
Pork, fresh shoulder	1.0 "		
Bacon, rind-on	0.7 "		
Fish	0.8 "		
Vegetable Shortening	0.8 "		
Lard	0.2 "		
<i>Cereals</i>			
Bread	12.1 lbs.		
Flour	2.9 "		
Rice	0.3 "		
Rolled Oats	0.5 "		
Corn Flakes, 8-oz. pkg.	1.3 pkgs.		

WEIGHTING SYSTEM OF THE DOMINION BUREAU OF STATISTICS COST-OF-LIVING
INDEX—Continued

(As at January 2, 1947)

	Commodity Weights (Weekly Quantities)	Sub-Group Weight	Group Weight
A. FOOD—Concluded			
<i>Dry Groceries</i>			
Granulated Sugar.....	3.0 lbs.		
Yellow Sugar.....	0.5 "		
Tea.....	0.4 "		
Coffee.....	0.2 "		
Cocoa, ½-lb. tin.....	0.2 tins		
Salt.....	0.5 lbs.		
<i>Vegetables</i>			
Beans.....	0.4 lbs.		
Onions.....	0.8 "		
Potatoes.....	0.8 pecks		
Canned Tomatoes, 2½'s.....	0.6 tins		
Canned Peas, 20 oz.....	0.6 "		
Canned Corn, 20 oz.....	0.3 "		
Cabbage.....	1.0 lbs.		
Carrots.....	1.5 "		
Turnips.....	1.0 "		
<i>Fruits</i>			
Raisins.....	0.2 lbs.		
Currants.....	0.1 "		
Prunes.....	0.1 "		
Strawberry Jam.....	0.6 "		
Marmalade.....	0.1 "		
Canned Peaches, 20 oz.....	0.1 tin		
Corn Syrup, 2-lb. tin.....	0.25 tins		
Lemons.....	0.1 doz.		
Oranges.....	0.7 "		
Bananas.....	1.2 lbs.		
B. RENTALS.....			
Houses.....		70	19
Apartments and Flats.....		30	
C. FUEL AND LIGHT.....			
Coal.....		42	6
Coke.....		11	
Gas.....		14	
Electricity.....		33	
D. CLOTHING.....			
<i>Men's Wear</i>			
Overcoats, Winter.....	0.2	41	12
Top Coats.....	0.2		
Suits.....	0.8		
Sweaters.....	0.4		
Overalls.....	1.0 pair		
Socks.....	9.0 pairs		
Underwear, Athletic.....	1.5 sets		
Balbriggan Combinations.....	1.0 set		
Underwear, winter.....	1.0 "		
Pyjamas.....	1.0 pair		
Shirts, work.....	1.0		
Shirts, broadcloth.....	2.5		
Trousers, work.....	0.7		
<i>Women's Wear</i>			
Top coats, Fall and Winter.....	0.3	36	
Top coats, Spring.....	0.2		
House Dress.....	1.5		
Slips, rayon.....	2.5		

WEIGHTING SYSTEM OF THE DOMINION BUREAU OF STATISTICS
COST-OF-LIVING INDEX—*Continued*

(As at January 2, 1947)

	Commodity Weights (Annual Replacement Allowances)	Sub-Group Weight	Group Weight
D. CLOTHING—<i>Concluded</i>			
<i>Women's Wear—Concluded</i>			
Hosiery, rayon.....	10.0 pairs		
Hosiery, woollen mixture.....	3.0 "		
Pantie, rayon.....	5.0		
Pantie, woollen mixture.....	1.0		
Nightgown, cotton.....	0.7		
Nightgown, rayon.....	1.6		
<i>Piece Goods</i>		4	
Cotton Dress Print.....	3.0 yards		
Wool.....	0.3 "		
Flannel.....	0.2 "		
Celanese or Rayon Material.....	0.7 "		
Flannelette.....	2.0 "		
<i>Footwear</i>		19	
Men's Work Boots.....	2.0 pairs		
Men's Oxfords.....	0.7 "		
Men's Rubbers.....	3.5 "		
Women's Shoes.....	2.0 "		
E. HOMEFURNISHINGS AND SERVICES			9
<i>Furniture</i>		33	
Dining Room Suite, 9 piece.....	0.06 sets		
Bedroom Suite, 4 or 5 piece.....	0.06 "		
Kitchen Table.....	0.08		
Kitchen Chairs.....	0.20		
Studio Couch.....	0.05		
Bed Springs.....	0.05		
Mattress.....	0.16		
Chesterfield Suite, 3 piece.....	0.05		
<i>Floor Coverings</i>		9	
Axminster Rug, 9' x 12'.....	0.04		
Congoleum Rug, 9' x 12'.....	0.15		
Linoleum (square yards).....	1.70		
<i>Furnishings</i>		15	
Sheets, 81' x 100'.....	1.0		
Towels, cotton terry, 22' x 44'.....	3.0		
Blankets, all wool, 6-8 lbs., 72' x 90'.....	0.5		
Table Oil Cloth.....	0.4 yards		
<i>Hardware</i>		3	
Frying pan, iron.....	0.2		
Saucepan, enamel, 2½ or 3 quarts.....	0.5		
Garbage can, galvanized.....	0.25		
Kitchen Broom.....	1.0		
Kitchen Pail.....	0.2		
<i>Dishes and Glassware</i>		2	
Set of Dishes.....	0.1		
Glass Tumblers.....	2.0		
<i>Cleaning Supplies</i>		17	
Laundry Soap.....	24 bars		
Soap Flakes.....	24 packages		
Abrasive Cleaners.....	9 cartons		
Chloride of Lime.....	2 packages		
<i>Laundry</i>		6	
Sheets.....	} Geometric Average		
Towels.....			
Men's Shirts.....			
<i>Telephones</i>		15	

WEIGHTING SYSTEM OF THE DOMINION BUREAU OF STATISTICS
COST-OF-LIVING INDEX—*Concluded*

(As at January 2, 1947)

	Commodity Weights	Per Cent	Sub-Group Weights	Group Weight
F. MISCELLANEOUS ITEMS.....				23
1. HEALTH.....			17	
(a) <i>Medicines</i>		23		
Aspirin Tablets, box of 12.....	1.3			
Epsom Salts, 1 lb.....	0.7			
Boracic Acid, 2 ozs.....	0.3			
Tincture of Iodine, 1 oz.....	0.7			
Zinc Ointment, 1 oz.....	0.7			
Cod Liver Oil, large bottle.....	1.3			
(b) <i>Hospital Charges</i>		17		
Semi-Private Room.....	1			
Public Ward Bed.....	1			
(c) <i>Doctors' Fees</i>		42		
Office Consultation.....	Geometric Average			
Ordinary Day Visit.....				
Ordinary Confinement ..				
(d) <i>Dentists' Fees</i>		18		
Amalgam Filling.....	Geometric Average			
Porcelain Filling.....				
Gold Filling.....				
Upper and Lower Dentures...				
Ordinary Extraction.....				
Prophylaxis.....				
2. PERSONAL CARE.....			9	
(a) <i>Personal Cleaning Supplies</i>		58		
Talcum Powder, tins.....	1.3			
Tooth Paste, tubes.....	21.7			
Tooth Brushes.....	8.7			
Shaving Sticks.....	2.2			
Toilet Soap, bars.....	52.2			
Vaseline, jars.....	1.3			
Razor Blades, packages of 5.....	13.1			
(b) <i>Barbers' Fees</i>	Ratio	42		
Haircut (Men's).....	5			
Shave.....	2			
3. TRANSPORTATION.....	Percentages		26	
(a) <i>Motor Operating Costs</i>		67		
Gasoline.....	42			
Repairs and Maintenance.....	9			
Licences.....	8			
Depreciation.....	35			
Tires.....	6			
(b) <i>Rail Fares</i>		4		
(c) <i>Street Car Fares</i>		29		
4. RECREATION.....			26	
(a) <i>Theatre Admission</i>		23		
(b) <i>Newspaper Costs</i>		22		
(c) <i>Magazine Costs</i>		4		
(d) <i>Tobacco Costs</i>		51		
Cigars.....	Geometric Average			
Cigarettes.....				
Cut Tobacco.....				
5. LIFE INSURANCE.....			22	

Doc
can
form
Canada. War. Special Committee 1947-48

SESSION 1947-48

CAIX 72
48703

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

NO. 2

THURSDAY, FEBRUARY 12, 1948

WITNESS:

Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



MINUTES OF PROCEEDINGS

THURSDAY, February 12, 1948.

The Special Committee on Prices met at 10.30 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Cleaver, Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Merritt, Pinard, Winters.

Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board, was recalled and further examined.

At 1.00 o'clock witness retired and the Committee adjourned to meet again at 4.00 p.m.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Cleaver, Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, McCubbin, Merritt, Pinard, Winters.

Mr. Taylor was recalled and his examination continued.

At 6.00 p.m. witness retired and the Committee adjourned until Friday, February 12, at 10.30 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
February 12, 1948.

The Special Committee on Prices met this day at 10.30 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: I am going to ask members of the committee to do their best to be punctual. We have lost about seven minutes this morning, but I think from now on we ought to try to be here five minutes ahead if possible so we can get going.

K. W. Taylor, Chairman, Wartime Prices and Trade Board, recalled.

The CHAIRMAN: I think last night we left off with Mr. Maybank's carcass if I recall rightly.

Mr. MAYBANK: Before questioning begins on the matter of the carcass and the subject of meat, Mr. Taylor said that he was not the best sort of witness on meat questions, and that somebody else, probably Mr. Grisdale, would be better. Might we arrange that Mr. Taylor be replaced by the man in the Wartime Prices and Trade Board who is more expert in that field, Mr. Grisdale, if he be the one, and that questioning be along other lines arising out of Mr. Taylor's brief. Then at a certain time Mr. Taylor could step down and his place be taken, as I have said, by somebody else. I suggest we probably would be better off by doing it that way rather than having Mr. Taylor give us answers with which he himself is only partially satisfied, and then having to ask questions of his own experts and respond again according to what answer he got.

The CHAIRMAN: I do suggest further that we ought to try to keep on a given line. There are so many angles to this matter, and what we have called these men for primarily is to give indications that have to do with the specific question as to the rise in prices, where that rise has taken place, and so on, to give us a lead so that we can proceed as early as possible with the examination into the things that I know are in our minds more particularly. However, I think with that in mind we can proceed now.

Mr. JOHNSTON: The witness was going to bring us a list of those items where he found there was an undue spread. Is he prepared to present that to the committee this morning?

The WITNESS: A list of commodities where there is an undue spread.

Mr. JOHNSTON: Yes, where there was a noticeable spread.

The CHAIRMAN: I think that was Mr. Marshall.

Mr. IRVINE: I think one of the things we asked for last night was for the dates on which subsidies were removed from specific articles, the dates on which ceilings were removed, and the dates following when the increased prices were noticeable.

The CHAIRMAN: That is right.

Mr. MACINNIS: Mr. Chairman, if Mr. Taylor has not anything he wants to say at the moment I should like to ask him this question.

By Mr. MacInnis:

Q. The price control on butter was removed and then the control was recently reimposed. I should like to ask Mr. Taylor what were the considerations which entered into the reimposition of control on butter?—A. The principal factor would be the considerable increase that had taken place in butter prices, and the indication that that increase showed signs of proceeding to a considerable further extent.

By Mr. Winters:

Q. Are any subsidies being paid now with respect to butter?—A. No.

By Mr. MacInnis:

Q. I think the underlying principle in the removal of controls is that prices will ultimately reach their proper level. Was it your opinion there was an unjustifiable increase in the price of butter?—A. Butter is one of those commodities where there is an open market. That is, there is active buying and selling through a recognized market system, and the price of butter advanced through what you might call normal operations where buyers of butter—I am speaking of the wholesale trade level particularly—were as much an influence on the market as sellers. There are regular transactions in butter going on all the time in carload lots in Montreal, Toronto and other main markets. I find it difficult to define the word “unjustified” in that sense. The course of butter prices was roughly that it was selling at prices in the middle fifties for a large part of the summer. It moved up steadily from the end of July through August until it reached a level of about 60 cents. It hesitated there for a while and then it went up by fractions of a cent with the usual ups and down but trending higher.

Mr. MAYBANK: Mr. Chairman, we are getting signals from distant parts of the room. Would the witness speak louder, please.

The WITNESS: Wholesale prices were in carload lots and Montreal prices just crossed 70 cents during the early winter. There were indications market-wise that prices might go considerably higher. There was a good deal of talk of a shortage. The figures that were published from month to month by the government of stocks in storage and production indicated that butter would be in rather tight supply until the new season started. On the basis of that there was a good deal of pretty heavy ordering of butter by the trade with the result that prices were being steadily bid up on the exchange, and the government finally set the price at 67 cents.

Mr. MACINNIS: Were there indications that certain interests were manipulating the market and taking advantage of the shortage?

Mr. LESAGE: Will you speak louder?

By Mr. MacInnis:

Q. Were there any indications that certain interests were manipulating the butter market and taking advantage of the shortage in supply?—A. I think I can reply in this way, that we have never made a detailed technical study of the day-to-day buying and selling operations on the exchange, but there is no evidence that there was manipulation and I have no reason to suppose that there was.

Q. You mentioned in your statement yesterday that controls tend to restrict production. Did you take that into consideration when the reimposition of control on butter was made?—A. Butter is a commodity which has a number of special characteristics. Approximately two-thirds of the country's supply of butter is produced in about six or seven months of the year. The other one-third is produced in the remaining four or five months. The winter price of butter has an effect, of course, on the volume of production of butter in the winter months.

In this month of February, for example, we will normally produce considerably less than half the butter we consume. In a month like July we will produce almost double the amount of butter we will consume. The price of 67 cents was in our judgment a price which was fair and reasonable to the winter butter producer. The winter butter producer will not agree with that statement in every case, but in our best judgment that was a fair and reasonable price for the winter production of butter. In effect it put a peg in at about the point where the market was fluctuating to prevent the price going any higher.

By Mr. Lesage:

Q. Mr. Taylor, on the question of butter would it be correct to say that the reserves of butter in Canada at the moment the ceiling was reimposed were down a million pounds from last year?—A. I have not the figures before me. I am sure you are right if you have the figures there. It was very close to the same amount. I think it was a little lower, 500,000 to 1,000,000 pounds less than the same date the previous year. In the previous year you will recall we were rationed at 6 ounces per week. Moreover last year in order to carry through and maintain and honour coupons for the balance of the winter season we had to import slightly over 5,000,000 pounds of butter.

Q. Production was higher in 1947?—A. It is varying in the different provinces.

Q. Quebec was higher, at least?—A. January has been a little higher this winter than last winter. The figures for the January production should be out today, or were they out yesterday? I have not seen them. They usually come out on the 12th of the month.

Q. On the same subject I have been told that some wholesalers, some packers bought butter, which they are reselling now, at an average cost of around 54 or 55 cents. Are you aware of those facts?—A. No, not in any first-hand way. I do know that the market price for butter was in the middle fifties and just below the middle fifties during a considerable part of the summer.

Q. There is still some of that butter in the hands of the packers?

Mr. MAYBANK: You mean stored butter?

The WITNESS: If you mean certain physical boxes that were physically produced, I have no doubt there would be some of those, but you would have to examine the situation in relation to the inflow and outflow from storage and, on an average—I would suggest, Mr. Chairman, if the committee wishes to get the average costs of the present stocks of butter, I am quite sure they will vary.

By Mr. Lesage:

Q. There are some holders of butter in this country whose average cost would be higher than the present ceiling. As you have already said, two-thirds of the production would be in the summer or early fall, is that right?—A. Yes, there are certain months of the year when there is what we call a net into-storage movement. It runs from about the first of May until about the first of October. From the first of October to the end of April, there is a net out-of-storage movement.

Q. So, in general, we may conclude, but without being absolutely sure about it, that the cost of butter to those who are storing it, the average cost, would be below 60 cents; that is, the actual cost. I am not taking into account the storage charges?—A. That would not be an unreasonable statistical deduction.

Q. Yes, it would be a deduction. Now, that happens every year and in view of the fact that we need butter, that we cannot have producers go on with their production for a price that is under 67 cents now, and on this I agree with you because the producers in my own riding told me they could not produce under that price; under those circumstances would there be a way out,

to keep production in the winter and, at the same time see that no unduly large profit is made on the butter which has been stored in the summer and early fall?—A. Well, this is getting into the realm of possible government policy into which I do not think I should intrude too far.

Q. No. I am asking your opinion.

The CHAIRMAN: I think we all agree that this witness should not be called upon to criticize or even to comment favourably or unfavourably on policy. He is not here for that. I may be wrong, but I did not understand that Mr. Lesage's question necessarily called for a violation of a rule which I know you would want to observe.

By Mr. Lesage:

Q. Would the establishment of floor prices be away out?—A. The establishment of the floor prices would, of course, guarantee a minimum price in the summertime. The only way in which you can give effect to floor prices is to have a buyer in the market ready to buy the named commodity in unlimited quantities at that price. In other words, if it is a government floor price, that buyer can only be the government. The way in which all our floor prices operate on bacon or cheese, the floor price being, in effect, the British contract price, is that the government through the dairy products or the government, through the meat board, stands, so to speak, by the side of the market every day offering a price. Anyone who cannot get a better price for it sells it to the government. In that sense the price cannot go below the so-called floor price.

There is no technical impossibility. There may be some technical difficulties, administrative and technical difficulties. It would be possible to establish a flat, uniform price for butter. It would mean, of course, the government taking over, either directly or through some other agency, the entire butter trade or, at least, being in a position where it might get into the position.

Q. In your opinion, then, it is impossible to work a floor price without government intervention, direct government intervention in the trade?—A. I think that has been the universal experience. The Australians and New Zealanders in their export boards, which they operated, of course, nearly fifteen years ago, operated in the time of disastrously low prices. They bought all the butter made at a named price which was regarded as fair to the producer. They are surplus butter producers. Then, the surplus was sold on the world market for the best price they could get. They sold the domestic consumption at very much higher prices and they gave the producer the average.

By Mr. Pinard:

Q. On this same question of butter, would you please tell us how the situation compared with the United States when the ceiling was reimposed?—A. When the ceiling was reimposed? I have not, Mr. Pinard, the figures before me of the wholesale prices. I only have those retail prices which I filed yesterday, where the United States price was very close to 30 cents a pound higher than in Canada.

The Chicago butter prices are quoted in the press every day. I do not know whether I can find them at the moment, but it will be easy to find out what the prevailing price is.

By Mr. Maybank:

Q. Your figures of yesterday showed 68·2 and 95·4?—A. Yes, about 30 cents in that particular month.

By Mr. Pinard:

Q. So far as production is concerned in the United States, is the production of butter sufficient to supply the domestic market?—A. Normally, the United States is pretty well in balance on its butter consumption. It is not, normally, an exporter of butter and it does not import butter in any substantial quantity. In that role they are somewhat similar to Canada. I believe I can say it has been traditional government policy for many years in Canada not to try to develop an export market in butter but to keep ourselves reasonably self-sufficient in butter. Normally, we are not a substantial exporter nor are we a substantial importer of butter. Usually, we just get about enough to carry our own requirements.

Pre-war, there were certain years when we would import four or five million pounds of New Zealand butter and, pre-war we had the occasional year when we did export that much. I am not going back into ancient history in the thirties.

Mr. CLEAVER: Prior to the war and the controls—

The CHAIRMAN: Just a moment, I want to be fair and Mr. Irvine asked me just before Mr. Pinard if he might ask a question. I will recognize you next. I presume your question is on butter.

Mr. IRVINE: No, if you are not finished with butter you had better continue.

The CHAIRMAN: I think we had better finish with butter.

Mr. MAYBANK: There is something about butter which I wanted to interject.

Mr. CLEAVER: I am on butter, too.

Mr. MAYBANK: I just want to say that, arising out of that comes the question of subsidies generally. I wanted to ask some questions on that but not now.

The CHAIRMAN: All right, Mr. Cleaver.

By Mr. Cleaver:

Q. Prior to the war controls, what were the normal, seasonal fluctuations in the price of butter?—A. I think the committee will realize that if I am held very strictly to my oath, I should refuse to answer those questions without getting the figures, but to save time I can tell you from memory it was about 7 to 8 cents a pound, on an average, between the seasonal high and low for the ten years leading up to 1941. I remember making a study at that time. That was at a time when the wholesale price of butter was averaging between 20 to 25 cents a pound.

Q. That seasonal fluctuation, I suggest, would be less than the actual cost fluctuation. I mean the producer in the wintertime would be getting less than cost and the producer in the summertime would be getting a little more than cost?—A. Perhaps I might be allowed to interject there that the technical problem of estimating costs of production on a seasonal basis—you can only do that with a great deal of somewhat arbitrary assumptions of an accounting nature. If it is possible to isolate your December to March costs of producing butter, they are undoubtedly much higher than the cost of producing butter in the summertime. I have never seen it, but the Department of Agriculture may have studies on the relative costs of producing butter in July and August and in January and February. I am not aware of them, but they probably have them.

Q. How much would this seasonal fluctuation in the selling price of butter exceed the actual cost of storing the butter from the peak production season to the time it was actually used?—A. I understand that the rule-of-thumb

formula in the trade is that it costs about three-eighths of a cent per pound per month to carry butter, that is, the physical storage charges, insurance and financing charges. In addition, there is a cost which is unpredictable, namely, the risk of loss of grade in the butter. You may put No. 1 butter into storage and it may come out No. 2. If it is No. 1 and is properly stored and properly handled, it ought not to come out as No. 2, but every storer of butter knows he faces that possibility.

By Mr. Irvine:

Q. Are there any cases where it goes in No. 2 and comes out No. 1?—A. I would assume that, so far as government-inspected butter is concerned, that would be impossible.

By Mr. Cleaver:

Q. And the balance, then, of this price spread would be compensation for the market risk?—A. I think it should be stated, of course, that while on the average the price is higher in March than it is in July, in any one decade you can always pick out two or three years where the price moves counter-seasonal, where the price is lower in March than it was in August.

Q. It is to that I was referring as market risk?—A. Yes.

Q. Then, I suggest that perhaps one reason why you encountered this butter difficulty and you thought it wise to reimpose the ceiling on butter was that during the war years your interference with normal business practice by controls had, to some extent, upset the normal trade practices and there was no way in which you could protect the public against unreasonable increases in prices at this time of decontrol, this one season of decontrol?—A. I am not quite sure I understand that question, except that the reason we put the ceiling on was there was every indication butter was going to go a great deal higher than 67 cents before the first of May rolled around and the new season started.

I would like to emphasize that in a market like that the buyer—I am not talking about the housewife; I am talking about the wholesale buyer, and the large retail buyer—has a very marked influence on prices. I can give this example. I was in Montreal in November and I dropped in on the commodity exchange just to see what was going on. I saw some of the brokers that day. The market was about 66½ cents and there were brokers there from the maritime provinces and northern Quebec to buy butter at any price not higher than 69 cents. That reflects the case of the large local wholesaler who wants butter and is willing to pay. They were brokers, not traders, and on the other hand there were representatives of the western pools and they were offering butter. With the impact of the demand for six or eight cars of butter with the buyers stipulating any price up to 68½ cents you get a situation where the market goes up. The market that day moved up about ½ of a cent. I do want to emphasize that in what is called a seller's market the buyer has a very real measure of influence on prices.

Q. At what date did you remove the ceiling price on butter?—A. Early June. I think it was June 9.

Q. Well down until that date, June 9, there was certainly no encouragement or no inducement to the trade to follow their normal trade practices of loading up in the summertime for the purpose of winter sales?—A. We adopted the policy throughout the war of having a flat ceiling on butter but butter normally drops down below the ceiling price in the summer months.

Q. In June, when you took the ceiling off, was butter below the ceiling?—A. My recollection was it was around 48½.

Q. And the ceiling was?—A. The ceiling was 50.

Q. So there was very little inducement at that time for anyone to gather stock for winter sale?—A. The inducement would be primarily for those who

are in the regular butter business, who have regular customers, and a regular volume of business. There were seasons during the war when the price of butter never went as much as 2 cents, for any substantial time, below the ceiling.

Q. So long as you had a controlled price no harm would happen from that?—A. I know, in the sense that there were people who told me, that the butter trader could never have helped but lose some money if he never bought butter more than 2 cents below the ceiling because it cost him more than 2 cents to carry butter through to the following March.

By Mr. Harkness:

Q. You said when the wholesale price of butter was 20 to 25 cents that the average spread to the producer was 7 cents from summer to winter. If we accept that as more or less normal and reasonable could you give us any idea of what the spread should be when the wholesale price is around 60 cents? It would naturally be greater, would it not?—A. Your spread in normal times will vary a good deal from year to year. I gave you the average figure over the period of eight or ten years. Now the price of butter, roughly speaking, has come very close to trebling from that disastrously low level.

Q. That is what I had in mind when I asked what the spread should be.—A. On the other hand, the element of cost in carrying butter is very largely a fixed cost. I think there have been some increases in warehousing expense, but the interest on your money costs you no more than it did fifteen years ago.

Q. I was thinking of the producer and the spread between winter and summer which is to meet the increased cost to the producer in making butter in the wintertime.—A. I do not want to get into a theoretical argument, but I do not think it is fair to say that at any time the cost of production decides what the price is or that the consumer demand decides what the price is. Price is the indirection between the cost of production and consumer demand or, to put it simply, the old economic phrase "supply and demand." If the committee is interested in perusing the cause of the difference in cost between summer and winter I would suggest the committee call someone from the Economics Department of the Department of Agriculture, which is continually making studies of this sort on costs of farm production of varying types.

Q. I was only interested in what you would think was a reasonable spread between summer and winter?—A. From the farmers' point of view?

Q. Yes.—A. No, I would not like to do that. We felt in the balance of things 67 cents was as close to being fair to all concerned at that particular juncture as any price we could fix.

By Mr. Merritt:

Q. Mr. Taylor, you said there were indications when you reimposed the ceiling price that butter was going considerably higher. You also said there was talk of a shortage. I wonder if you have any figures, first of all as to the amount in storage, and, if there was actually a shortage, to what extent that shortage existed in comparison with the present demand for butter?—A. Again I quote from memory. The average statistics for butter throughout the past summer and winter months were normally running two to three million pounds ahead of the same date of the preceding year. The rate of consumption, or more accurately the rate of domestic disappearance, was running of course substantially higher than the same month the preceding year, because in the preceding year butter was rationed for most of the time to 6 ounces per week. The best I can do is to repeat what I said on a slightly different matter when I answered Mr. Lesage. At the present time we have perhaps one million or so fewer pounds of butter in storage than we had a year ago. The rate of consumption, at least up until the end of December, has been higher. The January figures ought to be out today—I think it is the 12th when they come

out—which will give us the consumption in January ahead of last year when, to maintain the 6-ounce ration, we found it necessary to bring in something slightly over five million pounds of butter in order to ensure a butter supply and to honour the coupons all over the country.

Q. There has been no importing of butter this year—so far, I mean?—
A. Not so far, no.

Q. Will you look at page 19 of this D.B.S. brief which gives the butter prices in six cities, the wholesale index number?—A. Yes.

Q. You see that the price held steady until May of 1947?—A. 1946.

Q. 1947. I take it the ceiling came off at the end of April?—A. I will just run through the list, Colonel Merritt. The ceiling remained unchanged. In April, 1946, we raised the ceiling 4 cents a pound, from 36 to 40.

Mr. MAYBANK: April 1946?

The WITNESS: Yes. That is the 110·0 price and then it dips down slightly during the summer months and comes right back to the ceiling all winter. It does not budge from the ceiling. Then I think that May was the time we removed the subsidy, the 8½ cent subsidy.

By Mr. Merritt:

Q. I think that was in June 1947.—A. No, we removed the whole ceiling then. To go back to 1945 there was the 8½ cent subsidy and in April 1944 we raised the ceiling to 40 cents but left the subsidy the same. In April or early in May we removed the subsidy of 8½ and set the new ceiling at 50 cents on the 1st of May. That caused the price index to go up to 136·3. Then on the 9th of June we removed the ceiling entirely. Now during the last week or so of May and the first weeks in June butter was trading around 48½ to 49 cents, that is 1 to 1½ cents below the ceiling. Then the market started to stiffen in August and you see the course of prices from that time on.

Q. The course of prices from that time on reflects open market trading?—
A. Yes.

Q. And how would that compare with open market trading in say 1939? Do those figures follow a parallel course at a higher rate or do they go up more steeply?—A. In 1939—I have a very vivid recollection of that because I became secretary of the board on September 4 of that year—one of the first flurries we had was in butter. Wholesale butter I think was then under 20 cents, I think 19½ was the lowest price recorded and that was just shortly before the outbreak of war. The price advanced very rapidly at the outbreak of war to 28 or 29 cents. I do recall being flooded with consumer requests at that time that we fix the price of butter at 20 cents, at which it was when war broke out. There really is no normal year.

Mr. CLEAVER: 1938 would be normal?

The WITNESS: 1938 would be a little better. 1937 was a year of very high prices. Butter got to over 40 cents and I recall housewives in Toronto with placards marching up and down organizing consumer strikes. I think it was in 1937 when butter cost 40 cents and it was regarded as a terrible price.

The butter market is very volatile in this sense, that if we have a very modest overproduction which is more than we require in this country, the butter market in a free world market immediately drops, the world price; that means competition with farmers in Australia. If the supply of butter is a little less than they require the price at once goes up to world price plus duty, and you get a very sharp difference of from 8 to 10 cents in price. It all depends on whether you have just a little too much or just a little too little vis-a-vis domestic requirement. That is why you get I think a rather somewhat wider swing in butter price in relation to its normal price than you have in quite a few other commodities. As I said in answer to Mr. Cleaver a few minutes ago

the average swing from midsummer to late winter is normally of the order of six to eight or seven cents a pound, somewhere in that, say on a price which was somewhere between 20 cents and 30 cents; so, percentage-wise, it is a wide spread.

By Mr. Johnston:

Q. That would be about the same as last year, a year ago?—A. A year ago they were all under a pretty tight ceiling and you would not get the swing which you would have with free sales.

Q. Yes, but there would be about that same carry over?—A. No. The cost of storage is roughly $\frac{3}{4}$ of a cent per month. That is about what it costs you to carry butter. Your September butter in March has cost you 3.5 cents more than you paid for it.

Q. Is that just about the normal fluctuation on storage butter?—A. Of course, the storage charge is a very definite charge and one from which you cannot get away in Canada.

Mr. LESAGE: The market is brisk at the present time.

By Mr. Merritt:

Q. Will you just clear my mind on this, what was the price just before the ceiling was taken off?—A. The ceiling was 49 cents a pound, in there somewhere.

Q. Did that include the 8.5 cents subsidy, was that paid additional to the 49 cents?—A. The subsidy had already been absorbed into the price before that time.

Q. Was that your price without any subsidy?—A. The price, with no subsidy content.

Q. And the rise since then has been from approximately 50 cents to approximately 69 cents; is that correct?—A. Yes.

The CHAIRMAN: Was it 69 cents?

The WITNESS: Actually, the day the ceiling was announced I think you will find—I do not know the exact price, but certainly in the few weeks just preceding it had been fluctuating between 70 cents and 69 cents.

Mr. MERRITT: That would be the wholesale index?

The WITNESS: All the prices I am quoting are butter solids, on track Montreal. That is how these prices are always quoted; in carload lots, 56 pounds solid, in the car on the track at Montreal. I was going to say that at the time, or a couple of weeks before the ceiling came off, there were a lot of rumours going around published in the newspapers that the government was going to reimpose a ceiling of 65 cents, that was the price commonly spoken of at the time; and it was only natural that in say ten days before that the price came down from 70 cents a pound to around 67 or thereabouts, 67 cents or 68 cents, because every buyer of butter was taking a special risk of the government moving in with a ceiling somewhere below that point.

By Mr. Merritt:

Q. What was the date of the reimposition of the ceiling?—A. In mid-January, the fifteenth, somewhere around that. I think it was announced on the fourteenth and put into effect on the Monday following—whatever day that was—it was the seventeenth, I think, although I am not sure.

Mr. MAYBANK: It was announced on a Saturday and put into effect on a Monday?

The WITNESS: Yes.

Mr. MERRITT: And the indications therefor that you mentioned were a state of high consumption and the lower actual cost than a year ago; that is what caused you to reimpose the ceiling?

The WITNESS: Yes, and a knowledge which one can describe only as a "feel" of the market; that everybody seemed to anticipate that trend. After all, people need butter for trade and to them price becomes a negligible factor. If you are in the butter business or in the grocery business, you must have butter to sell, otherwise you lose other business; and there was a very keen demand all over the country for butter and the price was naturally up, certainly every week, and there was no way of saying to what the price of butter might have gone. It might have gone up another 10 cents because of what I call the temperature of the market. It would be pretty high.

Mr. MAYHEW: With regard to storage butter, does the man who is dealing in storage butter average his storage cost over his stock? For instance, he buys most of his butter in July for storage.

Mr. LESAGE: Would you speak a little louder, Mr. Mayhew, we cannot hear you.

By Mr. Mayhew:

Q. I was asking the witness about storage butter and how it is priced out. The dealer's big buying would be in July and his big sales would come probably in January and February. My question is this, would he average his storage cost, or would he try to sell his July butter at a high price?—A. The seller of butter—I am speaking of wholesale selling because that is where the market is established—buys butter at market and sells it at market, as is natural; a man does not sell butter below the market otherwise he is merely giving away any reduction to the next people in the chain of distribution. The committee may be able to get figures in comparison of the size of butter holdings. I think I can say this; on the two or three occasions that we have examined it this butter is very widely held. There are a number of large traders in butter who would own what sounds like very large lots of butter, but I would be surprised to find any one holder who at any one time owns more than 8 or 9 per cent, possibly 10 per cent, of the butter in storage.

By Mr. Maybank:

Q. Do these holders keep their butter mostly in publicly-owned storages, or are there other storage places in which it is held?—A. I think that butter that is in storage whether it is in public cold storage or in privately-owned cold storages gets into the picture because all cold storage places have to report.

Q. That is what I was getting at?—A. All butter is recorded in storage because butter that is stored in what you might call common storage, particularly in the smaller towns—the retailers and indeed some consumers—will be bought in solid blocks in 56-pound boxes. There may be the odd case where the small town merchant will keep a few boxes of butter in the garage, particularly in the cooler parts of Canada, where it keeps very well.

Q. The cooler parts of Canada, where are they? I thought they were everywhere.

Mr. MAYHEW: Not every place.

The WITNESS: There is the banana belt where Mr. Cleaver comes from, for instance.

The CHAIRMAN: There is a very great question as to whether that is the banana belt or not.

By Mr. Maybank:

Q. The point I was after there is this, that we get regular weekly reports on what is in cold storage?—A. Monthly.

Q. Monthly, is that it?—A. Yes. Excuse me, weekly for the nine main cities, and monthly for the whole of Canada.

Q. What I wanted to get at was whether or not we had a record of most of the butter which is in storage; whether there is much storage in places which do not report; and I take it from you that your answer is that aside from that which is individually held by a few small holders we get a satisfactory monthly report of storage holdings. Would that be right?—A. Yes, I think so; and I think from year to year the proportion that is held outside of recorded storage would be fairly constant. For instance, every year there is what we term the disappearance of a certain volume of butter, this makes its appearance particularly in October, and it is always explained by the trade and by the government statisticians as being the buying and storing up of butter in five and ten box lots for what I call private storage.

Q. Yes.

By Mr. Lesage:

Q. Mr. Taylor, I have heard a rumour which has been going around a lot that individuals buy large quantities of butter in November and December when the price is comparatively low. I have heard it alleged that in one case as much as 100,000 pounds of butter was bought on paper, on margin. Are you aware of any such activities in the market?—A. I have no personal knowledge for this year. In 1939, and again in 1940, when there was a flurry in the butter market, we did require every cold storage to file with us the names and addresses of every owner. We found then that the big volume, the greater proportion of the butter, was owned by what I call the normal channels of trade. But I do recall that there were doctors, school teachers and other people who owned butter, as you say, on paper; they legally owned it.

Q. Yes, of course.—A. In some cases 100 boxes, sometimes in some cases 500 boxes; and there are times when individuals invest in the butter market just the same as they play any other market. I do not think the butter market is one which attracts any large volume of what you might call amateur speculation.

Q. But you did not hear of any specific cases lately?—A. No.

By the Chairman:

Q. You said earlier, Mr. Taylor, that while butter is widely held you believe there is not more than 9 per cent held by any one individual?—A. I have no information for this year because we have not been into the figures as yet.

Q. Well then, did I understand that your answer was that over the last six months, or let us say within the last two months, your estimate is that 9 per cent is the figure which applies?—A. What I was saying, Mr. Chairman, was this: that from our past experience in the butter market it would take quite a large number of people added together to own half the butter in storage.

By Mr. Lesage:

Q. You do not require the names of the holders any more since the ceiling has been reimposed?—A. No, but we did not actually get that when the ceiling was on because we had a ceiling price. The two occasions on which we got the actual names was in 1939 and 1940, when there was another flurry upward. We had a ceiling on butter in 1940.

THE CHAIRMAN: Mr. Lesage was asking you if you had any knowledge that would support the rumours that individual holdings of as much as 100,000 pounds were held by speculators—is that your point, Mr. Lesage?

Mr. LESAGE: Yes, that is it.

The CHAIRMAN: Let us say, within the last two months.

Mr. LESAGE: It would be in November and December that that rumour was circulating in Quebec at least, and even in Montreal. There was one case of 100,000 pounds, also smaller quantities about which we have heard.

The CHAIRMAN: What you want to get from Mr. Taylor in that connection is that he has just given us the answer, as far as I understand it, that within the last two months—your replies have had particular reference to the periods before the last two months?

The WITNESS: Yes.

By Mr. MacInnis:

Q. May I ask Mr. Taylor a question on this matter before Mr. McCubbin takes over? Have you any evidence in your department that would indicate that butter was being held in storage for an increase in price say any time over the last twelve months?—A. My answer there would be no. We have no evidence of that, and such evidence as we have would be rather to the contrary, that the people in the butter trade normally buy on what I call a program for their own requirements, and they sell on a program. I do not know of any evidence at all that butter was deliberately withheld either by individuals or by a ring in order to manipulate the market.

The CHAIRMAN: I wonder if Mr. MacInnis would not want to circumscribe that. You said the last twelve months. Frankly what I have in mind is to see if we can get at this point. It may be we cannot. I refer to indications in the terms of C of our terms of reference with regard to accumulating or withholding from sale by any persons, firms or corporations of any goods beyond amounts reasonably required for the ordinary purposes of their businesses. Your question was twelve months. We have it established from the evidence that at the moment what he has said does not apply to the last two months. I have not any idea what the situation would be say for the last five months.

Mr. LESAGE: I got a definite answer to my question. He said he had not heard about it.

By Mr. Lesage:

Q. On the same subject would it be possible to have the names of all the holders of stored butter for the last five months?—A. You would have to serve notice on the owners or operators of every cold storage warehouse.

Q. Could the Wartime Prices and Trade Board do that?—A. I would think it would come more appropriately from the committee. We have not done it for a good many years now. The Bureau of Statistics merely requires the owner or operator of a storage warehouse to report the amount of butter in that storage. He does not report the names of the people who are the beneficial owners of that butter.

Q. We could obtain a list of storage warehouses from You?—A. Again on a purely technical point of getting information it may well be that the operators of the storage warehouses cannot tell you now who owned the butter on the first of November. They can tell you who owns all the butter in their warehouses today.

By Mr. Pinard:

Q. In view of the rumours referred to by Mr. Lesage and other people do you not think it would be a good idea to try to obtain as much information as we can on it?—A. I would think it would be a very useful inquiry for the committee secretariat to pursue.

Mr. LESAGE: Would it be possible to give instructions to obtain as much as we can on that?

The CHAIRMAN: I think so. I think what we might be furnished with now—if not later in the day—is a list of the holders of butter.

Mr. FLEMING: When?

Mr. LESAGE: The last five months.

Mr. FLEMING: Again you will have to have a record of all transactions because unless you are fixing an exact date how are they going to know what we want?

Mr. LESAGE: They will tell us what they can supply.

The WITNESS: I am speaking purely from the point of view of what facts are physically available. I know every storage man can tell you who owns the butter in his warehouse today. It is quite possible he cannot tell you who owned the butter he had in storage in his warehouse on the first of November.

Mr. LESAGE: If he can tell us he will tell us.

Mr. CLEAVER: In the light of this question may I ask Mr. Taylor—

Mr. LESAGE: Do I understand it is agreed we are going to have a list and the secretariat is going to inquire?

The CHAIRMAN: There is no reason why we cannot get that?

The WITNESS: I think not.

Mr. FLEMING: Through the secretariat but not from the Wartime Prices and Trade Board. He thought it would be more appropriate to get it through the secretariat.

The WITNESS: Yes. I think I should add that the Wartime Prices and Trade Board still has a staff of administrators and investigators, but we dissolved our entire statistical and research division substantially last June and completely last September. Since that time such statistics as we require we get from the Bureau of Statistics. We have no staff at all. We have no statistical collecting organization within the Wartime Prices and Trade Board.

By Mr. Mayhew:

Q. I think, Mr. Taylor, the law of supply and demand pretty well governs the price of butter. Is that more so than any other commodity?—A. It is one of those commodities where there is what I call an organized market. There is an actual commodity exchange in Montreal. It is open for an hour every day, and all the buyers and sellers of butter meet there. It is open to the public. Anybody can walk in. I have seen taxi drivers in there getting warm. There is no secrecy about it. It is just as open as any stock exchange.

Q. It does not lend itself to manipulation any more than any other commodity, does it?—A. I would say no. The number of traders is smaller, of course, than on the grain exchange or on the stock market.

By Mr. Winters:

Q. Did I understand Mr. Taylor to say just prior to the time the maximum ceiling was imposed on butter the price in solid form on rail, Montreal, was between 50 and 69 cents a pound?—A. The maximum variation since the 9th of June is from 49 and a fraction up to 70. I think it touched 70½ one day.

Q. Then you decided to impose a ceiling of 67 cents shortly after that, and that was on the retail price of butter, was it not?—A. The 67 cents is wholesale on track Montreal.

Q. So far you have paid no subsidy on butter?—A. No.

Q. Under normal circumstances when would the greatest pressure occur? In what month would the greatest pressure come to have maximum prices on

butter?—A. From the farmers' cost point of view—and I speak with some diffidence in the presence of a number of farmers here—I would think that January and February would probably be the highest cost months. In certain parts of Canada when you get into March the cows are freshening and the supply is coming on a little better, but marketwise the time of maximum pressure is in March and perhaps even the first week or two of April because that is when your storage stocks are normally at the lowest and your production really has not started to swing up.

Q. So under normal pressures the price might exceed that ceiling were it not controlled?—A. Had there been no ceiling imposed upon butter I would think we would have seen the price reach its peak some time in the latter part of March.

Q. If that tendency still prevails and you are going to control our price at 67 cents the normal course would be to apply a subsidy somewhere along the line, would it not?—A. No. There was no thought that I am aware of, no consideration of a subsidy this season. When we had a subsidy we had the same subsidy and the same ceiling all year round.

Q. What are the considerations behind that? You have imposed this ceiling of 67 cents. You say normally the greatest pressure would make the price of butter increase beyond that ceiling. That must be based on normal costs and normal rates of profit, and if you hold it down to that 67 cents then where is the elasticity in the price cost problem?—A. The price of 67 cents was fixed on January 17, I think. It was fixed at a level which was felt to be fair to the winter producer of butter, and the intention was that price should run unchanged throughout the balance of the season.

Q. What I am getting at is, you see, that if the pressure became so great that the price would normally be greater than that, somebody would come along and say to you, "we cannot produce butter and sell it at 67 cents a pound", and if they could convince you of the validity of their argument you would have to support them in some way or other?—A. We have already been through all that in our own consideration prior to January 17 when there was a good deal of discussion as to at what point the peg should be put in. Should it be 63, 65, 67 or 69?

Q. Based on your experience with the Wartime Prices and Trade Board you must have a pretty good idea what the spreads should be before you need to come in with support?—A. The prices we have fixed is the earliest point at which you can put a peg in. We have never felt it practicable to put a ceiling price on butter fat, but we put a peg in at the main market points, Montreal and Vancouver. Those two points are roughly at equal balance as to freight rates with the surplus producing areas, which are to a large extent the prairie provinces. That is the initial point at which you put in your peg. We then, of course, have maximum mark-ups from that time on so that in Ottawa, for example, or Montreal or Toronto, which are all in the same zone, the maximum price which can be legally charged at retail for butter is 73 cents.

I have not the order with me here but there is an allowance for cutting and printing, that is, they turn a 56 pound solid into one pound prints, as they are called. I think it is $\frac{1}{2}$ a cent or $\frac{3}{4}$ of a cent, some figure like that. Then there is a maximum mark-up for the wholesaler and then there is a maximum mark-up for the retailer. The maximum price in Montreal, Ottawa, or Toronto is 67 cents plus the printing charge, plus the wholesalers' mark-up, plus a mark-up which is not higher than that which you normally took, and in no case can it take you over 73 cents.

It is phrased that way because certain retailers, obviously the chain stores, normally operate on a lower margin of profit because they operate on a cash and carry basis rather than a credit and delivery basis, so that the maximum legal price for a chain store may be 71, 71 $\frac{1}{2}$ or 72. Whatever your normal mark-up is you cannot charge more than 73. It is a maximum maximum price.

Q. Would that imply up to 67 cents based on average operations and operating costs and profit and spreads and so on you are satisfied everything included in that price is justified? Does it imply that?—A. Yes, that the Wartime Prices and Trade Board felt 67 cents was a fair and proper price, and that having that as a starting point 73 cents was a fair independent store retail price. We have never yet had unanimous agreement from everybody in every section of the trade that our prices were right, but on this particular price I think, based on the representations made to us, everybody is pretty well satisfied.

Q. One could draw the implication then that so far as the Wartime Prices and Trade Board is concerned there is no undue amount of profiteering in that 67 cent figure?—A. Well, I find a great difficulty in knowing what the word "profiteering" means.

By Mr. MacInnis:

Q. That 67 cents was set, was it not, to prevent profiteering?—A. Exactly.

Q. That would be a considered reason?—A. It was felt both unfair to the producer as well as causing excessive confusion, to roll prices back much below the prevailing levels. We picked 67 cents because that was a little on the low side of the average of the previous couple of weeks. There were people who bought butter at 70 cents and when our ceiling came in they took an automatic loss of 3 cents a pound.

By Mr. Irvine:

Q. Did your board ever try to make an estimate of what was a just and fair price on butter and how you would allocate that just and fair price, first to the producer and then the wholesaler and then the retailer? How would you arrive at that? Have you any system of figures for that?—A. No, the primary price, which I call the Montreal wholesale solids price which is really what the producer gets, by and large, was always discussed with our advisory committee of producers, who were representatives of the dairy farmers federation. It was discussed with other people concerned with the primary production. However, the board always took the full responsibility for the price finally decided upon because we got various types of advice. We got various types of representations, but, on the evidence of the dairy farmers themselves, officials in the Department of Agriculture and other considerations of that sort, we finally fixed a price which was, in the early days, 36 cents a pound.

A year or so later the dairy farmers were in and made out what we regarded as a very convincing case that that price was too low. It was government policy at that time to allow no increase in ceiling prices. Therefore, a subsidy was set up on the basis of 10 cents per pound butter fat which is equal to about 8½ cents a pound of butter. That carried on throughout without change for two or three years.

By Mr. Winters:

Q. Who got the subsidy?—A. The farmer. Actually, the subsidy was paid by the Department of Agriculture, not by the prices board. It was paid to the creamery and, if my memory serves me correctly, on production of completely satisfactory evidence that the creamery was paying a proper price to the farmer for his butter fat. So, the subsidy was a producer's subsidy paid to the producer, though the mechanics of payment actually flowed through the creamery.

By Mr. Irvine:

Q. Has the board now on record figures with respect to the price of butter which indicate how much of the present price they are allowing to the farmer, how much to the dealers in butter, whether wholesalers or retailers, and on what

basis they arrive at what they call a just and fair price?—A. I have already described the farmers' end of it. At the wholesale end, we took pretty much the evidence of the people in the butter trade. We relied very heavily on what the market had established prior to the ceiling price coming in. We came to the conclusion that a certain fraction of a cent per pound was a reasonable and fair charge for the cost of converting a 56-pound solid into one pound prints. This is based largely on what you might call the custom of the trade in normal times.

We decided what was a fair mark-up to the wholesaler, and that was checked against normal operating expenses of the wholesale operator.

Then, for the retailer we decided a fair margin was 3 or 4 cents. May I, just for the moment, correct one of the statements I made a moment ago. I said that the maximum price of butter was 73 cents in Ottawa. I should have added one point. If it is put up in those rigid type of cardboard cartons, they can add one cent for that. This has been the practice of the trade. It is 74 cents if you buy it in the rigid carton.

We have normally allowed either $3\frac{1}{2}$ or 4 cents as the retailer's margin. Retailer's margins were literally almost all over the map when we came into the picture in October, 1941. We had cases where retailers could show they had been taking 7 and 8 cents a pound as a regular, normal practice. We found chain stores which had been selling butter on a half a cent a pound mark-up for a considerable period of time. I think it is fair to say we had quite a battle with the retail stores. They have always felt our margins on butter were unconscionably low; they were unfair. We studied the whole question and in our view $3\frac{1}{2}$ to 4 cents was a tolerable mark-up for the independent type retailer.

Now, we have no formula of any mechanical sort. Most of our mark-ups are based upon the practice under free market conditions before there was a shortage. In many cases we battled them down by argument and finally by order. We said that is that, and there is the maximum price.

By Mr. Fleming:

Q. Mr. Chairman, is it a fair inference from what Mr. Taylor has said that there was a fairly thorough investigation by the board of the prices before the ceiling was re-established?—A. In butter, you are talking about?

Q. Yes.—A. Yes, we were investigating. We had our daily quotes, of course, from the wholesale market which are in the paper every morning. We were checking fairly frequently on individual stores in the main cities of Canada. I believe the highest price was somewhere between 78 and 80 cents at retail, and that actually existed prior to the imposition of the ceiling.

Q. How did you arrive finally at the ceiling price? It was approximately the market price, was it not? There were some variations, of course, here and there, but it was approximately the market price?—A. We put the ceiling in at approximately the market price, just perhaps a slight roll back from what it had been in the previous few days.

Q. To what extent does the price established on the Montreal butter exchange indicate the prevailing price or enforce the prevailing price of butter throughout Canada?—A. I would think pretty completely. Every large vendor of butter, for example, has his representative on the Montreal exchange. The large western pools, the Saskatchewan Cooperative and the Alberta pool, sell their butter in varying ways. They may sell direct to a dealer in Toronto, but there are always in very close touch with the open market quotations.

Q. Does your answer apply both to conditions where there is a ceiling price in effect and to conditions where there is not a ceiling price in effect?—A. Yes, the commodity exchange is still open and still functioning as merely a place where buyers and sellers meet.

Q. Have you any figures on the transactions in butter on the Montreal exchange before and after the ceiling? In other words, has the reimposition of

a ceiling price on butter had any effect on the quantity of trading in butter on the Montreal exchange?—A. I have not been following the daily notes on trading which are quoted every day in any of the leading newspapers. Yesterday, for example, the price was 67½ cents, which is the ceiling price. The quarter cent is brokerage and handling charges.

Q. I am thinking rather of the volume of trading. Has the board any figures on the volume of trading in butter?—A. No, I have not.

Q. Before and after the ceiling?—A. No, I have not.

Q. You could get that from the exchange officials?—A. I am sure we could.

Q. There are differentials in the ceiling for different parts of Canada?—A. Yes.

Q. Do those differentials take into account anything more than the cost of transportation to market?—A. They are designed to cover just the differential in freight charges.

Q. Just that one factor? What would have been involved in rolling back the price of butter to the 1946 level?—A. Well, that would have meant, taking the first part of 1946, January 1946, it would have meant rolling it back to 36 cents a pound, Montreal solids basis, plus, 8½ cents subsidy to the producer.

Q. If that had been decided upon how would you have gone about it?

Mr. LESAGE: No more production.

The WITNESS: It is very hard to say. If we had received instructions from the government that the ceiling was to be 36 cents plus 8½ cents subsidy, we would have issued an order to that effect.

By Mr. Fleming:

Q. What, in your opinion, would have been the result?—A. Complete chaos.

Q. What about production?—A. Undoubtedly there would have been some production still because the farmers have the cows in the barn and you cannot stop a milking cow, but the farmers would certainly have tried to find some other place to market it.

By Mr. Cleaver:

Q. We would have had more cheese?—A. They would have switched to cheese, switched to the condensers or fed it to the hogs; anything rather than send it into butter.

By Mr. Fleming:

Q. You would not have had butter?—A. No.

By Mr. Winters:

Q. In the question on transportation, you said the differential was in consideration of the difference in the cost of transportation. Had you any points in mind?—A. No, the points are Montreal and Vancouver. It is 67 cents at those two points. The zones largely follow the provincial boundaries. It does mean, for example, that the great bulk of Alberta butter will go to Vancouver. The freight watershed, if I may use that phrase, is pretty close to the Saskatchewan-Alberta boundary; that is, when you get into Saskatchewan there is a point where it is a matter of indifference whether you send it to Vancouver or Montreal. When you move east of that point, it all goes to Montreal.

By Mr. Maybank:

Q. That is about on a line between Saskatoon and Regina?—A. I do not know, but it is somewhere in there.

By Mr. Fleming:

Q. Earlier this morning, Professor Taylor in reply to a question from Mr. MacInnis said he had not found any evidence of manipulation of the market in the rise of the price of butter which preceded the reimposition of the price ceiling in January. I should like to get Professor Taylor's statement as to the relative organized strength of the butter producers, butter distributors and consumers in Canada, and to what extent there is a balance in those forces in relation to supply and demand?—A. Well, that is a question which one can only answer by citing a number of indications. Particularly in Saskatchewan and Alberta, the butter producers are very well organized through the Saskatchewan Co-operative and the Alberta Dairy Pool—I think that is its title. I confess I am not very sure about Manitoba, but I believe there is a co-operative organization there.

In Ontario, quite a bit of butter goes through the United Farmers Co-operative. There are also in Ontario, to a somewhat larger degree than out west, creameries which are entirely independent and creameries which are associated with certain large butter dealers. You have the Ontario Creamery Association, which is very active. It represents the independent creameries, that is, those which are neither linked up with a trader nor a co-operative.

In Quebec, you have a somewhat similar organization. You have the Cooperative Fédérée de Québec.

I am ashamed to say, Mr. Winters, I am not very sure about the maritimes. There is a Maritime Co-operative Union. However, the maritimes are normally a deficiency area. They rely on butter moving from western points. I would say that the co-operatives and the pools between them control directly or indirectly a very considerable fraction of the total butter production and are in a position to approach reasonable bargaining equality with what you might call the large buyers in the trade.

By Mr. Maybank:

Q. What is a considerable fraction?—A. I would hesitate to give it a figure except I know at this time of year, particularly if you want any sizeable block of butter, you have almost got to go to the Saskatchewan or Alberta co-operative pools for new-made butter. The western pools, of course, have very large stores of butter and acting as co-operatives they do not necessarily sell the butter as it is made. They have storage plants and they store butter like any other private trader, and, if there is any gain to be had from holding butter it goes to the co-operative and back to the producer.

Q. Do they have their own storage warehouses or how do they store it? Do they store it with some one of the big stores?—A. I just do not know.

Q. In any event, if they do store in their own or public warehouses it goes into the report you mentioned?—A. Yes, and they will be among the largest owners of butter at any normal season of the year.

By Mr. Fleming:

Q. Professor Taylor dealt with the first part of my question, that is the strength of the producer in this relationship of supply and demand. Has he anything more to say about the forces that are at work normally to protect the consumer in relation to butter prices?—A. No, the buyers of butter—I am speaking of course of the wholesale trade—always find it in their interest to buy as cheaply as possible and to sell as cheaply as possible, and that is how they get their business. Butter is a thing that is highly consistent. It is government graded, and No. 1 pasteurized butter is not sold by a brand name normally and $\frac{1}{8}$ of a cent at wholesale level will cause a purchaser to switch to another supplier.

Q. Does the rate established in the Montreal butter exchange apparently largely determine the prevailing price in Canada? Does that have the effect of raising or lowering prices—the fact that there is one funnel through which prevailing prices are largely determined?—A. I would like to make it clear that the Montreal exchange is merely a point where the supply and demand for butter all over Canada is met. There are a considerable number of brokers on the exchange. Some are nominees of the Alberta Pool, some of the Saskatchewan Cooperative and some of the Cooperative Federation. You have both buyers' and sellers' agents operating on the exchange. There is nothing secret or behind closed doors; it is an open exchange. It is merely a convenience. If you have ten cars of butter, instead of travelling all over town and making telephone calls to find out where you can get the best price, you simply go to the exchange. The agents go to the exchange and watch the business and finally make a deal.

Q. I quite follow that too, Mr. Taylor, but can you be any more explicit in this? If you had a prevailing price throughout Canada which was not so largely or completely determined by the price in one exchange, as against a situation we will say where there are other exchanges equally strong in different parts of Canada, can you indicate what might be expected under different conditions as to the price of butter?—A. Well, as I said before butter is a commodity which trades on very narrow margin. I said $\frac{1}{8}$ of a cent makes a difference. There is a lot of butter that is sold by the Saskatchewan producers to consumers in Winnipeg which never goes near the exchange. It is not traded through the exchange but Winnipeg will know every hour, or certainly every day, what the Montreal prices and bids are and a man will not sell his butter to Winnipeg unless he can get back as good a price as he could get by shipping to Montreal, Toronto, or Halifax. It is one of those situations where the price is almost instantaneously known all over Canada.

Q. The answer I take it is that the fact so much trading is done in one place has not any effect in raising or lowering prices as compared to a situation where you might have other exchanges elsewhere?—A. I would be inclined to agree with that.

By Mr. Maybank:

Q. You did license all dealers under the Wartime Prices and Trade Board?—A. Yes.

Q. All dealers in everything for awhile?—A. Yes.

Q. When did you stop that if you did stop it?—A. You will not hold me to exact dates?

Q. Oh no, no.—A. In 1946 we adopted the policy that after a reasonable length of time after a commodity was decontrolled application to take out a licence was no longer necessitated.

Q. At the time you took the ceiling off you had lists of dealers in butter whom you had severally licensed?—A. The licence applied, of course, to a person in business.

Q. Yes, a man who had been licensed with respect to butter could not sell carpets and vice versa?—A. He would get it almost automatically after 1945.

Q. Get what?—A. A widening of his licence.

Q. Yes.—A. During the more tense period of the war, 1942-43, we controlled the expansion of new businesses in the civilian field and when a man got a licence he got a licence to deal in a certain range of commodities and he could not expand that without an added permit from us. Starting in 1945 after the cessation of hostilities in Europe we adopted a policy where a man's licence was amended virtually on request.

Q. Well at the time of taking the ceiling off butter you had lists of all dealers in butter?—A. Not necessarily because we had lists of people who might deal in butter. We had every grocery store in Canada which would be licensed.

Q. As a grocery store?—A. As a butter dealer. We had a mechanical system of coding our addressograph plates so if we wanted to get a bulletin out to all the people we could, by an automatic sorting device, get the bulletin to the people dealing in butter.

Q. Is there any hope at all from an examination of your records of determining, within not too large a circle, who might have been buyers with the intention of hoarding—buyers of butter at the time it was low?—A. I should perhaps consult our legal division. I do not think our licensing order precluded a man from, shall I say, taking a flyer in butter if he wanted to. I do not think it precluded a man—a doctor or a schoolteacher—from buying one hundred boxes of butter on paper and then reselling it.

Q. Well now with respect to the D.B.S. at a recent meeting here there was some discussion with one of the representatives of that bureau about getting information on a quite different field?—A. Would you speak a little louder Mr. Maybank?

Q. The discussion was concerned with the census and as a matter of fact the D.B.S. indicated they were in the position that they would not even tell me the answers I myself had made in the census. They had received everything so confidentially that they could not disclose it. Therefore it would seem from that source that perhaps the information as to who held stocks of butter cannot be had. Now is there any other way that you know of whereby we could learn who had stocks of butter at a given time?—A. The Bureau of Statistics, I am reasonably sure, has not information as to the individual owners of butter. All they have is information as to the amount of butter in storage in their cold storage warehouses. They could give you a list of all the cold storage warehouses but they are precluded by an act of parliament from giving you figures as to each warehouse.

Q. Yes, I remember that you cannot do that either. Well now we will say to you just for illustration, and I do not wish to suggest that what I am saying should be taken as factual, and with that understanding we say to you that some people did buy butter, speculating in that commodity and in considerable amounts. That is all we have told you. Now is there any way that is open to you whereby you could find out who is meant.

Mr. PINARD: On that point there was a request made some time ago.

Mr. MAYBANK: Yes, and that is what I want to follow through.

The CHAIRMAN: Yes, that is what Mr. Maybank wants to follow through. Mr. Lesage, I think you will remember, suggested to the chair that information should be set up: (a) as to who were the large holders of butter and (b) what were the holdings those people had. Mr. Maybank is perusing the means whereby we might get that information and I think he is on a very important line of questioning.

By Mr. Maybank:

Q. Is there any way you know of whereby those individuals can be discovered? Have you any machinery at all whereby you might discover that?—A. No.

The CHAIRMAN: They cannot hear you, would you speak a little louder?

The WITNESS: As I said a little while ago the secretariat of this committee has the power to require information from any person in Canada on a matter relative to this inquiry.

By Mr. Maybank:

Q. Yes. A. I have no doubt you have the power to send a questionnaire or a document to every warehouse in Canada requiring them to produce information as to the butter in their possession now or at any time in the past.

Q. That is clear.—A. What we did in 1939-40 when we made inquiries ourselves was to pursue the matter with those who were not in the butter business and we got some further information. It was noticed at that time that the very act of our inquiry and the follow-ups did shake quite a little butter out. In total it was a very small fraction, 50,000 pounds or 100,000 pounds, or a few hundred boxes. A good deal of that was shaken out of these people's hands. They may have been a little nervous of the view the board might take.

By Mr. Maybank:

Q. They were fearing that you might suggest special directives to them; is that what you mean?—A. Yes.

Q. You did not get to the point of issuing special directives to them?—A. No. In the original circulars to them we called attention to the fact that it was contrary to regulations for any person to hold butter in excess of the quantity normally required by them for the purposes of their business.

Q. Yes. By the way, this last point may be a digression from the road we have been following, but I want to ask you this: am I to understand that you still have the power of issuing directives?—A. Yes.

Q. You still have that power?—A. Yes.

Q. Then the only suggestion which comes to your mind is that the way of discovering the holdings of butter at a given time would be by direct questionnaire by some authority, and you suggested that this committee can be that authority, that it has that authority; is that right?—A. Yes.

Q. Is there any other means?—A. The Bureau of Statistics will quite probably give you a mailing list of people who they know are normally in the butter trading business. That would not include any of the names of the people who are not normally in the business; but from the breakdown of their mailing list which they will give you you might be able to get at the others. They have a long list of names, probably well over a thousand.

Q. They could give us the names of the people who have butter in storage, and they could also give us the names of the usual buyers.—A. They could also give you a list of the total holdings in the main cities.

Q. Yes, and by process of subtraction one could arrive at the number of persons who are not ordinary dealers, and the amounts they have.—A. And, speaking purely hypothetically, you may find that the nine cities would indicate points where the storage might be out of line with the normal practice of that area.

Q. Yes. Well now that is the only method which suggests itself to you as a way of discovering, for example, the unusual speculator in butter?—A. Yes.

Q. Or, the ordinary and usual speculator in butter speculating beyond what he usually speculates. That is the only way that you can suggest?—A. I have made a distinction here between a butter trader and a butter speculator. I have used the term speculator to indicate the person who is not normally in the butter business at all, while the term trader is a person whose usual and ordinary business is the buying and selling, the trading in butter.

Q. Yes?

Mr. FLEMING: And the butter speculators are the people whom we want to look into.

Mr. LESAGE: Mr. Chairman, would it not be better to put that in the form of a motion?

The CHAIRMAN: Yes. What I am getting at is this, it seems to me that Mr. Maybank has raised a very important matter.

Mr. LESAGE: Yes.

The CHAIRMAN: The table on page 19 indicates that in 1947 the rise in September, October, November and December is very considerable; and I should

think the committee would want to know to what extent that rise was due to the accumulation or holding of butter. Apparently the best way in which we can get these facts is by a questionnaire addressed by the Dominion Bureau of Statistics to the parties concerned. I wonder, Mr. Taylor, if you could give us an indication as to the length of time which would be involved in getting replies through that method.

The WITNESS: You can get replies fairly quickly, Mr. Chairman. I recall that in 1939 we made a categorical demand on the storage people; replies came in very quickly, many were sent back by airmail. Of course there were other cases where the parties concerned told us that their clerical staff was not such that they could quickly compile the information for us. But as a matter of fact we did get that information within a very few days.

The CHAIRMAN: You could get a very large volume of information quickly then?

The WITNESS: I would think, Mr. Chairman, that you would have most of what you want within a week.

Mr. MAYBANK: When was that?

The WITNESS: That was in 1939 and again in 1940.

By Mr. Maybank:

Q. That was before you had the hold on the industry which you later developed?—A. Yes.

Q. A little later than that, of course, it is pretty well known the Wartime Prices and Trade Board had a very important and strong authority over all business. You had very important sanctions which you could impose. When you tried to get this information about which you are speaking back in 1939 you had no such strength behind you?—A. Behind us we had the legal power to require anybody to give us any information that was within our jurisdiction.

Q. I know, but later on the business world became very much more scared of the Wartime Prices and Trade Board than it was in 1939; is that not right? You need not answer that if you do not care to. It does not matter at the moment.

Mr. LESAGE: Mr. Chairman, it might be better if we were to put this in the form of a motion instead of a request. Therefore, I would move that we obtain from the Dominion Bureau of Statistics a list of the storage holdings of butter in Canada, and the names of the holders of butter in each one of these cold storages over the last five months; and that a questionnaire be sent to each one of these owners, or holders, by the secretariat of this committee, requiring full information. That covers the period you had in mind, I think, Mr. Chairman. Also all quantities owned, or held; and the period of time during which they were so owned or held; and also, if possible, by lots; the date at which these lots came into storage, and so on.

Mr. MAYBANK: Mr. Chairman, I think that is what is desirable, and I think we should work out something of that sort. After the questions which have been directed to Mr. Taylor I had in mind recommending to Mr. Lesage and the committee that instead of taking that as an exact motion at this moment—there are rigidities relating to motions—you set down specifically the nature of the thing you want to have done. I suggest that it will be better if we just agree as to the nature of the material it is desirable for us to obtain and then have the steering committee consider and work out a questionnaire and method; bearing in mind that what Mr. Lesage has said represents the consensus of opinion in this committee. That is just a slight variation; but when you set down in a motion like that what should be done, and so on, a certain rigidity is introduced.

Mr. PINARD: There is no question that it represents the consensus of opinion of the members of the committee.

Mr. MAYBANK: I was just suggesting that.

Mr. IRVINE: I think it is a very wise thing.

Mr. MAYBANK: I am in agreement with the idea.

Mr. CLEAVER: I am entirely in agreement with the motion but there is one question I should like to ask Mr. Taylor. Should it be found that there are substantial speculators holding butter outside of the normal holdings of butter traders, where do we go from there? Are there any existing powers to collect excess profits which have been made; or, are there any penalties?

Mr. IRVINE: You could hold back the profits.

The CHAIRMAN: Before the witness answers that question whether or not there are powers, it is very important for the purposes of this committee that we ascertain if there is hoarding and whether that hoarding has been in any way responsible for the rise in price.

Mr. CLEAVER: I entirely agree with you on that.

The CHAIRMAN: What steps follow from that will be a matter for further consideration. I think we want that information as quickly as we can get it.

Mr. MAYBANK: As a Roman Catholic I do not suppose you would be familiar with it, but there is a hymn with which all Protestants are quite familiar, and the last words of it are: "One step enough for me".

The CHAIRMAN: Oh yes, I think we have something similar in our hymnary. I think I have heard it.

Mr. MERRITT: I think it would be important to get an accurate statement of the over-all holding and the over-all domestic disappearance during the same period. Mr. Taylor has given us, I think, what the figures are.

The WITNESS: Those could be produced in half an hour.

Mr. MERRITT: I think that is necessary for us to know, together with the fluctuations.

The CHAIRMAN: I think it might be better to do what Mr. Merritt says: carefully consider the form of our particular request to make sure that it covers all that we need and not specify five months. Mr. Maybank has suggested that the steering committee deal with the matter. That appeals to me as being a sound suggestion. In that way we could make sure of getting all the information we want, and we could address ourselves to the mechanics—

Mr. MAYBANK: That is what I intended.

The CHAIRMAN: —to make sure that our demand, or request, in the form in which it issues will be comprehensive and adequate.

Mr. LESAGE: Yes, it is a broad question and one we want the Bureau of Statistics to go into for us.

The WITNESS: If I might add this; your secretary, I presume, will consult with the chairman of the Dairy Products Board. He will be much more familiar than I am with the technical details of the whole butter trade.

Mr. CLEAVER: Will this cover what we need? That the steering committee be requested to obtain as quickly as possible complete information with respect to the speculation in or the hoarding of the butter during the last five months. That is quite wide.

The CHAIRMAN: I think that is comprehensive.

Mr. FLEMING: Referring it to the steering committee who will in turn report back to the main committee?

Mr. CLEAVER: Yes. I think it should be left with the steering committee.

Mr. FLEMING: I think the simplest way out of this matter is to refer both motions to the steering committee and see what they can work out as to the best

method of going about getting this information. That is the problem at the moment; how to go about getting the necessary information. Rather than prolong the discussion on this further I think we might do that.

The CHAIRMAN: I think we have the sense of the meeting, and that the suggestion Mr. Fleming has made is a very good one. Our steering committee is fully representative of all parties in the House and I think we may safely leave the working out of details to them.

Mr. MAYHEW: Of course, Mr. Chairman, the steering committee can only make recommendations.

The CHAIRMAN: That is right.

By Mr. Harkness:

Q. In connection with that 73 cent a pound butter, can you provide us with information which would show us of that total what amount the producers got, and what amount the manufacturer—the creamery—got, what the wholesaler got and what the retailer got?—A. That could be given you completely accurately in the order. I have not got a copy of the order with me.

Q. Could you also provide the same figures for the last six months, say?—A. No. I could not give you any figures prior to the imposition of the ceiling because during that time there was a good deal of variation in butter prices.

Q. Could you give us the average? Certainly you could give us the average wholesale price and the average retail price?—A. The Bureau of Statistics have that. They would have the monthly average wholesale prices and the monthly average retail prices.

Q. And also the average of what the producer got?—A. I think you would have to go to the Department of Agriculture for that—the average price by provinces per pound of butter fat.

Mr. HARKNESS: I suggest that you get that, Mr. Chairman. What I had in mind was this; when you get that data we can possibly, on the basis of it, eliminate some of the factors which people may have thought were responsible for cost increases in the price of butter. The data might show they were not responsible and in that way a considerable amount of investigation might be obviated.

The CHAIRMAN: Yes, we will bear that in mind.

Mr. HARKNESS: On the other hand, that might be a direction in which we need to do a lot of investigation.

The CHAIRMAN: Right.

Mr. PINARD: I suppose the same form of procedure could be adopted for other commodities and the same questionnaire could be addressed in the other matters which we are to investigate. For instance, as far as bread is concerned the same mode of procedure could be followed in addressing a questionnaire.

Mr. HARKNESS: I think that is probably the type of procedure we should follow and find out what things seem to be reasonable and then as to the ones about which there is some question we should investigate.

By Mr. Johnston:

Q. There is one question I should like to ask the witness. He spoke of prices when they reimposed the ceiling, and he mentioned the chain stores had their mark-ups as low as $\frac{1}{2}$ a cent per pound, and that some of the other dealers had them up as high as 8 cents a pound, and the decision of the Wartime Prices and Trade Board was that 3 to 4 cents a pound would be a reasonable mark-up. Was that right?—A. Provided that no person shall take a mark-up higher than was taken in the basic period, in cents per pound.

Q. Would that permit the chain stores to come up from $\frac{1}{2}$ a cent to your indicated price, to your 4 cents?—A. No, because the chain stores could not legally operate on a greater margin than they were customarily taking in the basic period, that is, from September 15 to October 11, 1941.

Q. That would take into account the fact they may be using that butter as a leader article and selling it at only $\frac{1}{2}$ a cent above their cost price?—A. Perhaps I might be permitted to say that I do not know of anybody selling at $\frac{1}{2}$ a cent in the basic period. I do know they were selling on a $\frac{1}{2}$ a cent margin in 1939.

Q. Of course, they may have been selling it at that and using it as a leader?—A. Yes.

Q. In fact, they could even take a loss on it if they wanted to use it as a leader.—A. If their margin was minus I do not think we have ever required them to take a minus margin.

By Mr. Lesage:

Q. All the time during the war in such cases there have been adjustments for various commodities?—A. Yes.

Q. And that was the general policy of the board?—A. The policy of the board from 1942, or December, 1941, until the end of hostilities was to maintain a very tight ceiling, and adjustments were made only with the greatest reluctance. There was much heavier reliance on subsidies rather than price increases where the board was satisfied after taking all the evidence that some adjustment was necessary to maintain production.

Q. I am talking about individual mark-ups because most of your orders—

The CHAIRMAN: Mr. Lesage, we are getting a little off the track, are we not? I think it is desirable for us to keep on butter and finish that.

By Mr. Fleming:

Q. May I ask Mr. Taylor if the board in 1947 had occasion to take action against any person for alleged acquisition, accumulation or withholding from sale of any quantity of butter beyond an amount reasonably required for the ordinary purposes of his business or beyond such an amount as the board prescribed?—A. No.

Mr. PINARD: What was the answer?

The WITNESS: No.

Mr. PINARD: What period?

Mr. FLEMING: 1947.

By Mr. Fleming:

Q. Any such in 1948 to date?—A. No.

Q. Have you had any complaints of alleged infractions of section 8 of the Wartime Prices and Trade Board general order?—A. In butter, no, I do not think so. Certainly they have not come to my attention.

The CHAIRMAN: I think it would be worth while to read section 8. We all recall it. Would you mind reading that?

Mr. FLEMING: It is quite lengthy. There are ten subsections to it.

8. (1) No person shall sell or offer for sale or supply any goods or services at a price that is higher than is reasonable and just, or withhold any goods or services from sale or supply for a price that is higher than is reasonable and just and, in any case where a person engaged in business accused under this provision has not kept such books of account as are necessary to exhibit or explain his transactions, the onus shall be upon

such accused person to establish that the price is reasonable and just; provided that if a specific or maximum price has been fixed by the Governor in Council or has been fixed or concurred in by or on behalf of or under authority of the Board for the sale or supply of such goods or services, any price in excess of the price so fixed or concurred in shall be conclusively deemed to be higher than is reasonable and just; and provided further that if a specific or maximum markup has been fixed or concurred in by or on behalf of or under authority of the Board for the sale or supply of such goods or services, any price which includes a markup in excess of the markup so fixed or concurred in shall be conclusively deemed to be higher than is reasonable and just.

(2) No person shall sell or supply or offer for sale or supply any goods or services at a price that is higher than a maximum or specific price or lower than a minimum or specific price which has been fixed by these regulations or fixed by or on behalf of or under authority of the Board or concurred in by the Board or at a price that includes a markup greater than a maximum or specific markup or less than a minimum or specific markup which has been fixed by or on behalf of or under authority of the Board, or concurred in by the Board.

(3) No person shall

- (a) acquire, accumulate or withhold from sale any goods beyond an amount which is reasonably required for the ordinary purposes of his business or beyond such amount, if any, as the Board may prescribe; or
- (b) acquire or accumulate any goods beyond an amount which is reasonably required for the use or consumption of himself and his household or beyond such amount, if any, as the Board may prescribe.

(4) No person shall in any manner impede or prevent or attempt to impede or prevent any investigation or examination instituted by the Board.

(5) No manufacturer, importer, exporter, producer, wholesaler, jobber, retailer, supplier or other dealer shall sell, supply or offer for sale or supply, or ship, distribute or deal in any goods or services in respect of which a licence or permit is required or granted unless he has a licence or permit from the Board which is in full force and effect.

(6) No person shall, with intent to evade the provisions of these regulations or of any Order, destroy, mutilate, deface, alter, secrete or remove any books, records or property of any kind.

(7) No person shall make any misrepresentation or false statement to or for the use or information of the Board or any member, employee or agent thereof or any officer of customs or excise or any police officer or any other person concerned in the administration of these regulations or of any order, with reference to any matter affected by these regulations or such order.

(8) No person shall buy or pay for or offer to buy or pay for any goods or services at a price which he knows or has reason to believe is higher than is reasonable and just or higher than the maximum price which may lawfully be charged by the seller or supplier of such goods or services pursuant to these regulations, or is lower than the minimum price (if any) which may lawfully be accepted by the seller or supplier, or is different from the specific price (if any) for such goods or services pursuant to these regulations.

(9) No person shall attempt to commit or aid, abet, counsel or procure the commission of any offence under these regulations, or conspire

with any other person by any means whatsoever to commit an offence under these regulations, or enter into any transaction or arrangement designed for the purpose or having the effect of evading any regulation or order.

(10) No person shall make, issue or exhibit as being correct any false invoice, false sales slip or other false record or false account respecting any sale or purchase of any goods or services affected by these regulations or by any order.

Mr. Chairman, that is section 8 of the general order establishing the Wartime Prices and Trade Board and defining its powers. The original order is P.C. 8528.

Mr. CLEAVER: What is the penalty?

Mr. FLEMING: Section 9 defines the penalty.

9. (1) Any person who contravenes or fails to observe any regulation or order shall be guilty of an offence and liable upon summary conviction under Part XV of the Criminal Code or, if the Attorney General of Canada or of any province so directs, upon indictment to a penalty not exceeding five thousand dollars or to imprisonment for any term not exceeding two years or to both such fine and such imprisonment; and any director or officer of any company or corporation who assents to or acquiesces in any such offence by such company or corporation shall be guilty of such offence personally and cumulatively with the said company or corporation.

(2) In any proceedings upon summary conviction, any charge may include several offences against any regulation or order committed by the same person and any number of charges against such person may be included in one and the same information; and all such charges may be tried concurrently and one conviction for any or all of such offences may be made, which conviction may but need not provide a separate penalty for each such offence.

Mr. Chairman, having read that, there are a couple of questions I should like to ask. Professor Taylor has indicated to the committee that in 1947 and 1948, as I understand it, there have not been any prosecutions for offences under section (8), nor have there been any complaints made to the Wartime Prices and Trade Board of infractions under section (8).

The WITNESS: That would be true of butter, in respect to hoarding charges. We have had prosecutions on prices and rationing.

By Mr. Fleming:

Q. But not on hoarding, that is under the section which prohibits any person from acquiring or withholding from sale?—A. No.

Mr. PINARD: That is the section which corresponds to our terms of reference?

By Mr. Fleming:

Q. Yes, it is practically word for word with clause (c) in our terms of reference. Did you have any similar complaints in earlier years under this hoarding section?—A. There have been some.

Mr. LESAGE: There have been prosecutions.

Mr. PINARD: And condemnations, too.

The WITNESS: We have had prosecutions for domestic hoarding. We have also had cases where we used certain powers under those sections in the case of persons where there was a combination of offences regarding rationing and prices or, what was colloquially called black market operations.

We have, I think, directed the sale of stocks of butter owned by persons who were mixed up in or guilty of, infractions of rationing regulations and pricing regulations. We would have directed the sale into certain channels where we could follow it through. We have taken over, under related powers, the current make of certain creameries and directed they could sell only through certain channels which we named under the direction of our regional prices and supply officer.

By Mr. Fleming:

Q. What was the date of the last offence under this hoarding section in respect of which you had occasion to take action?—A. I could not say. I could have a search made.

Q. Would it be within the last couple of years?

The CHAIRMAN: We are getting away from the subject of butter, now.

By Mr. Fleming:

Q. I am speaking of butter. Would it be within the last two years?—A. I am advised not.

Q. Not within the last couple of years. Well now, we are dealing particularly with butter and I do not care if your answer is general on this point; but can you say that the board has striven to give enforcement to the provisions of section 8 of this general order?—A. Yes.

Q. You are satisfied that there has been enforcement of the order. Are you satisfied also that there has been compliance on the part of the public with the order?—A. Yes, I am satisfied that there has been adequate checking of the facts and the conduct of the trade, and I am satisfied that by and large there has been a very high measure of compliance. Now, if you press me I cannot say there have never been a few hundred boxes tucked away that we have never even heard of, and that sort of thing. I think our field organization and our investigation staff, our enforcement staff, has been assiduous in the performance of its duties and we never have had brought to our attention evidence which justified prosecution under the hoarding clause in connection with butter.

Mr. LESAGE: That is only for the last two years.

The WITNESS: Yes.

Mr. LESAGE: 1947.

By Mr. MacInnis:

Q. Have you had occasion to warn?—A. Mr. Maybank implied a moment ago that we covered a pretty broad waterfront. We had virtually every conceivable commodity and service under our jurisdiction. We had a very wide network of administration. We had, in the course of five or six years, some 30,000 prosecutions.

Q. I was thinking more particularly of our terms of reference and particularly butter?—A. In so far as facts coming to our attention are concerned I would not say we had any evidence that the recent increase in the price of butter has been due to any withholding or hoarding of butter.

Q. That was not quite the question. Did you have any occasion to warn any firms or business people for hoarding butter within the period?—A. It has not come to my attention certainly.

By Mr. Fleming:

Q. I just wanted to follow up the second last answer made by Mr. Taylor. He said that there has been no evidence brought to the attention of the board that the recent rise in the cost of butter has been in any way attributable to

hoarding. Now, the enforcement by the Wartime Prices and Trade Board of this section 8 being what it is has satisfied him that if there had been such hoarding in breach of section 8 it would have been discovered by the enforcement officers of the board.

The CHAIRMAN: Is that a fair question?

Mr. FLEMING: This matter of enforcement is very important.

The CHAIRMAN: I quite agree it is very important but I am wondering whether at this stage those are not deductions that the committee will have to make?

Mr. FLEMING: Quite, quite, and certainly his answer will not be binding upon the committee; but here is a witness who is close to the picture and his evidence would certainly be most helpful.

The CHAIRMAN: Yes; but he has pointed out the means by which this information can be obtained. He has stated that the Wartime Prices and Trade Board by itself is not in a position to give us the information. Then he said, or he suggests we get the information by certain means and then having got that information there is a proper base, a proper foundation for that kind of question and any conclusions we wish to draw from it. Do you not think that is a fair position?

Mr. FLEMING: No I do not. I am not suggesting that the committee is precluded from investigating to its heart's content, but this question of enforcement by the body which has the authority to deal with this question is a matter of high interest to the committee. Mr. Taylor has said that there is no evidence before the board that the recent increases in the price of butter is attributable in any way to hoarding, in breach of section 8.

The CHAIRMAN: He has said that there is no evidence. That does not mean that there is no evidence which we might bring out.

Mr. FLEMING: I did not say that. I said, the board had no evidence.

The CHAIRMAN: Yes.

Mr. FLEMING: Having regard to what professor Taylor has said about the degree of power given to the board in section 8, I am asking him for his view as to whether the recent rise has been or has not been attributable to hoarding.

Mr. CLEAVER: I think he has already answered as far as he can be asked to answer that. He has already answered that so far as he knows there has been no hoarding.

The CHAIRMAN: I may be wrong, but I do not think at this stage that is a fair question. I do not mean that you are unfair, Mr. Fleming; but having in mind the kind of inquiry we are initiating my suggestion is that it is not a fair question at this stage. I may be wrong on that.

Mr. MAYBANK: I do not think Mr. Fleming stated his question the second time the same as he put it the first time. He said, now what I was talking about was so and so, and so and so. I think he misstated himself the second time; the second question was not the same as the first question at all.

Mr. FLEMING: I tried to put it the same way, speaking from memory. Perhaps we could have the question read back.

Mr. MAYBANK: Perhaps we had better slip back onto butter and get a dry spot from which to start all over again.

Mr. FLEMING: May my question be read from the record? Perhaps you would rule on it, Mr. Chairman.

Mr. CHAIRMAN: No, I will not rule on it. I think the less we rule the better. I do not suggest that the question would not eventually become a proper one; but I do suggest that at this stage, in view of the steps that this committee has decided it would take, you might withhold your questions for the present,

until we get the necessary information. That information may be very interesting to Mr. Tayler and he may want to use it as a foundation for action. But I think until that has been presented to us your question might be allowed to stand.

Mr. LESAGE: Mr. Chairman, I move we adjourn.

The CHAIRMAN: The committee will resume at four o'clock p.m. to-day.

The committee adjourned at one o'clock p.m. to meet again this day at four o'clock p.m.

The committee resumed at 4.00 o'clock p.m.

K. W. Taylor, Chairman, Wartime prices and Trade Board, recalled.

The CHAIRMAN: Without restricting questions I think perhaps that on the butter side we are coming near to the point of exhaustion as far as Mr. Taylor is concerned. We may possibly want to ask questions of some other official. I am not saying that to preclude any one who wants to ask any question, but I think that possibly we ought to realize the more general character of his statement. Mr. Irvine has some questions.

The WITNESS: I should like to correct one statement of fact. This morning I was speaking without the book, so to speak, and I said the base price for butter was the same in Montreal and Vancouver. I was wrong. It is $\frac{3}{4}$ of a cent different. The maximum for wholesale solids, Vancouver, is 66 $\frac{1}{4}$, and Ontario and Quebec 67 cents. That is to allow for freight rates. There is one other point. Mr. Fleming asked a question about the possibility of there being hoarding, withholding from sale of butter. I should point out that as to the disappearance of butter, that is, the apparent consumption of butter and the disappearance into the channels of trade, the figures are such that it indicates there is no hoarding of any substance. I am not to be understood as saying there may not be people with a few boxes put away somewhere or a few hundred boxes, but in so far as any large scale withholding from sale that could not be a consideration with the storage and disappearance and production figures which you will be obtaining in due course from the Department of Agriculture and the Bureau of Statistics.

By Mr. Fleming:

Q. May I follow that up? I take it the answer Professor Taylor gave this morning is based not only on the information to which he refers, namely, statistics on disappearance of butter, but also active investigation on the part of enforcement officials of the Wartime Prices and Trade Board?—A. Yes, in the sense we have followed up every indication in the way of a complaint, or even in some cases, rumour. Obviously, physically speaking, we do not have the staff to spend full time on the checking of storage butter and so on.

Mr. MAYBANK: Mr. Chairman—

The CHAIRMAN: Was it a question? I had recognized Mr. Irvine first.

By Mr. Irvine:

Q. I wanted to ask Mr. Taylor a few questions on the general field that has been submitted to this committee, and in particular on that first and perhaps most important reference, the causes of the rise in the cost of living. I should

like to ask Mr. Taylor if he would say whether he thinks there is any new reason to be sought for the recent rise in prices?—A. In my opening statement I summarized what I thought were the principal contributing factors.

Q. As I recall them they are factors which I presume are operating at all times more or less in the making of prices, whether the price be high or low?—A. I referred particularly to the shortages. In previous decades we worried more about surpluses but undoubtedly all those factors are elements in that sometimes useful, sometimes vague phrase, supply and demand. Those are all factors that go into the making up of what we call the supply element and making up the demand element in the free market.

Q. In other words, the discovery that we hope to make would be one that we already know about, namely, that to one or all of these factors that you have mentioned must be attributed the recent rise. We may have to discern whether it is to one particular one more than another or to all of them combined. There is no new thing that is peculiar to the situation which confronts us that we expect to find, is there?—A. I can only repeat that I tried to set out the major or principal factors that operate. I do not say there are not monopolistic elements that may be operating. The Commissioner of the Combines Investigation Commission, as we know from the statement of the minister in the House, has a number of inquiries under active prosecution, using the word "prosecution" in the colloquial sense and not the legal sense.

Q. That would not be a new thing. We have encountered that before, such things as prices being raised by monopolies.—A. Yes.

Q. So that would you say that a price is a thing which will rise whenever it gets a chance and drop when it cannot help it? That is the general principle, is it not? By the way, I do not mean to ascribe conscious will to a commodity insisting that it be bought for a high price. There is no doubt a conscious will behind the thing that is sold, but my point is this. Is it not true that under all circumstances prices tend to rise as high as the traffic will bear? Is that not the principle?—A. I think it is generally true that it is of the nature of the market that a buyer tries to get as high a price as he thinks is in his interest.

Mr. MAYBANK: A seller.

The WITNESS: A seller tries to get as high a price as he feels to be in his interest.

By Mr. Cleaver:

Q. And the buyer?—A. The buyer will try to buy at as low a price as he thinks to be in his interest. I add the qualification that sellers who have longer range views will not necessarily charge as high a price as they might extract from the market at any given moment, and there will be buyers who will not try to drive the price down as far as they might under the exigencies of the precise moment. They have their longer range considerations, questions of good will, questions of established markets, and so on, in mind, but generally speaking I think it would be almost universally agreed that sellers try to get the best price they can and buyers try to get the best price they can from their point of view.

Q. Mr. Donald Gordon said in his broadcast of November 1, 1946:—

Business in pressing for more freedom to raise prices cannot help but be aware of the strong demand and the money that could be made in an uncontrolled market.

Would it be fair to ask you if you agree with that statement?

Mr. MAYBANK: When was it?

The CHAIRMAN: 1946.

Mr. IRVINE: That was November 1, 1946. I think it was the first broadcast Mr. Gordon made.

The WITNESS: I think that would be a statement made out of Mr. Gordon's experience.

By Mr. Irvine:

Q. You would not like to make any further comment on that?—A. I have enough to answer for.

Q. You summarized the probable causes of price increases such as high wages, shortages, more purchasing power than goods available immediately on the market, and I think you added pressure of inflationary conditions in other countries and possibly interference with free market conditions by monopolies. I do not know that you added that but we have mentioned it now. In the main those would be the features entering into increasing prices which we know most about, I imagine?—A. Yes.

Q. Not to mention, of course, the increase of profits which would accrue to those who had the power to raise prices against a competitive market?—A. You will recall I was particularly cautious in my reference to wages as a factor in prices.

Q. I was not going to press that now. That may come before the committee later, but what I was going to ask was this. Were not those the factors which led to price control in the first place?—A. In part, yes, but there was the other very important factor that we were entering upon a period which we knew perfectly well would be characterized by serious and acute physical shortages which, if I may say so without being misunderstood, we did not want to avoid. Under the urgency of war production we knew that we were going to create shortages. We were going to divert resources in very high proportion to the prosecution of the war and the production of war material. That was the situation which we faced in the summer and early autumn of 1941, and the whole problem of how to deal with the incipient inflationary spiral was developing.

In 1946 and 1947 we were crossing over into a different situation where shortages showed signs of being materially relieved, where production was coming back. A factor which I did not mention because it has been mentioned very frequently on other occasions, and that has contributed to the rather rapid upsurge in prices in the last six months of 1947, was the very much below average harvest not only in Europe but to a considerable extent in North America and in other parts of the world. The principal difference between 1941 and 1947 was that in 1941 we knew we were moving into a period of increasing shortages, and shortages which in a sense were being planned for, that were being consciously created. In 1947 we were moving into a period where all the indications were that we were going to have easier and easier supply conditions.

Q. Arising out of your answer do you not think that bumper crops, for instance, during this period, with fairly high prices for them, would have resulted in still higher prices for commodities in Canada?—A. That is a hard question to answer because there are so many variables in what I call the equation. Generally good crops in Europe particularly would have reduced to a very considerable degree the intensity of the pressure for physical supplies from western Europe. I think you would have had far fewer difficulties in France, for example, had they had anything approaching a normal crop. It was the French urgent requirement for bread grains, and the requirement from other areas, which has driven the open market prices for grains, not only in the United States but in the Argentine and elsewhere, to levels which most well-informed people thought it most unlikely they would have reached had there been normal crops.

Q. To get back to the original question in respect to the factors—

Mr. CLEAVER: Would you speak a little louder?

Mr. IRVINE: I was going to quote another statement by Mr. Gordon in respect to prices.

The CHAIRMAN: Is this on the same thing, the factors?

Mr. IRVINE: Yes.

The CHAIRMAN: Because I have supplementary questions I want to ask.

Mr. IRVINE: He says in his third broadcast:—

If the government had not declared its intention of continuing subsidies on cotton during this period of disorderly markets here are a few examples of the price adjustments that would result. Shirts selling at \$2.50 could rise by 40 per cent. Men's combinations selling at \$2.25 would rise by 33 per cent.

Women's cotton housedresses selling at \$2.00 would rise by 38 per cent. Bed linen would go up 42 per cent and diapers would rise 40 per cent.

Then, he adds,

I leave with you, therefore, the question—would it be wise to move out of our position of relative stability now and subject ourselves to the speculative influence of such highly uncertain conditions, or does it seem wiser to wait a while in the expectation that these wild market flurries will calm down and enable this country to proceed with orderly adjustment to post-war conditions?

Now, I should like to ask, sir if you have factual knowledge as to how these textile goods referred to in the statement by Mr. Gordon did rise after the removal of the controls?

Mr. CLEAVER: What is the date of that broadcast?

Mr. IRVINE: I shall give you that, November 8, 1946.

The CHAIRMAN: You seem to have been reading Mr. Gordon's speeches, Mr. Irvine.

Mr. IRVINE: Yes, I have.

The WITNESS: What was that question again?

By Mr. Irvine:

Q. I was asking if you had any factual knowledge as to the extent to which prices did rise on the particular commodities referred to Mr. Gordon when he was warning us that would happen if we removed the controls?—A. Yes. I am looking at Mr. Marshall's reference book which he filed as an early exhibit. On page 12, in the fifth and sixth columns you will find the clothing index and the home furnishings index.

Mr. Gordon was speaking November, I think you said, when the index was around 130 on clothing and very much the same on home furnishings. Taking October, the index on page 12 in Mr. Marshall's book, is 130.2 for clothing and 128.8 for home furnishings. They have both risen almost exactly 30 points, on the average.

By Mr. Maybank:

Q. How does that compare with the figures which were being quoted?—A. Mr. Irvine, if I recall it, quoted variations from 30 to 42 per cent.

By Mr. Irvine:

Q. 40 per cent on shirts; 33 per cent on men's combinations; 38 per cent on women's cotton dresses and on bed linens, 42 per cent. Diapers were 40 per cent. At any rate, there was a very considerable rise, that is to be admitted I suppose?—A. Yes.

Q. Then, since the Board must have known that this rise would take place, how would you justify the action which brought the rise about?

Mr. LESAGE: Is that not government policy?

Mr. IRVINE: I do not want to press the gentlemen for anything that is not in order, Mr. Chairman. If that is government policy then I would say, "Eureka", we have discovered why prices are high.

Mr. FLEMING: That is not a new discovery.

By Mr. Irvine:

Q. That is what I was saying at the beginning. You do not wish to make any comment?—A. I think I would make this comment: it would be obviously desirable if external prices were going to shoot away up and then come down again, if it were possible so to do, it would be desirable to carry the Canadian controls in such a way that you would, so to speak, slice off that peak.

As I said yesterday there was a pretty widely accepted view in the autumn of 1946 that we were, perhaps, over the worst, that there might be some further increases but within the following six or eight months they would have reached and passed their peak. There comes a time when a judgment has to be made as to whether or not external prices have reached a new post-war level. By the spring of 1947 and, particularly, the early summer of 1947, it seemed to be fairly clear that external prices were not likely, in the calculable future, to go down to the controlled level in Canada.

By The Chairman:

Q. You did say this morning or yesterday in your principal statement, assuming the existence of controls there would still have been a rise?—A. Yes, that again gets into the field of government policy. We would have had the choice or the government would have had the choice, of a very substantial—I think I used the word enormous—increase in subsidy costs and a general tightening up of controls in the form of import and export controls, production directives and and so on or to have adjusted the ceiling prices to make these alternatives less necessary.

By Mr. Irvine

Q. I do not think, Mr. Chairman, any of us expects to have a price level that will be absolutely level at all times. It might be raised here and there, on occasions, and still be a controlled price and a proper price. In this case, in view of the rather sharp rise in the price of these textile goods to which I just referred, would it not be fair to assume someone blundered in the timing of the removal of the controls?—A. Well, that may be easier to ascertain in a few months time when we see what happens to cotton prices.

Q. Up to this time, I mean?—A. Up to this time, I think I am right in saying cotton textiles in Canada are being priced on a basis of raw cotton which is somewhat below the present American open market price. If it is proper for me to refer to a newspaper clipping, I understand the president of one of the large textile companies in his annual address to the shareholders said they were based on 31½ cent cotton.

Q. Then, moving from cotton to some of the statistics given us by Mr. Marshall, I think he stated that the price rise was 28·2 points, and that the major portion of the rise was due to the food group of commodities. It represented 14·9 of the 28·2 points. He also stated that dairy products represented 7·4 of that, so that food stuffs, taken by and large, represent a sharp rise in price and perhaps account for most of the price increase in Canada?

Mr. CLEAVER: Accounts for half of it.

Mr. IRVINE: I said, "For most of it".

Mr. CLEAVER: But 14 is half of 28.

Mr. IRVINE: 9 is more, though. It is a little over the half. I have already asked you for the dates on which the subsidies were removed, the specific dates, and the specific dates on which ceilings were removed as well as the dates when price increases were noticed following the removal of ceiling prices and subsidies. Could you see that that information is furnished to the committee sometime before you leave or can you give it now?

The WITNESS: No, I could not give it now unless it was a rather limited list.

Mr. IRVINE: I should like to have that for all the food stuffs mentioned in the evidence of Mr. Marshall, those specific things mentioned. I should like to check them with the price rise which followed.

Mr. MAYBANK: May I just interject there. Since the list of subsidies and the dates of their removal is to be given, Mr. Irvine narrows it down to certain things about which he has been asking questions, I think it would be well if all subsidies and the dates of removal, that sort of thing, were given.

Mr. IRVINE: I intended to add that, but I particularly want them for these. I should like to have all subsidies whether they are administered by the board or by any other department of government, when they were removed and what was the immediate result, if that is possible.

Mr. MAYBANK: I had intended, Mr. Chairman, to ask for something similar to what Mr. Irvine has asked. I just wanted to make sure that by his request it was not narrowed, but I would not have gone so far in my request at this moment as to ask this witness for anything beyond what you might call the type of subsidies that were given for the reasons that these were given, the Commodity Prices Stabilization Board sort of thing. I think we can get the others elsewhere.

Mr. IRVINE: So long as we can get them. If they are not handy for Mr. Taylor to obtain, we could get them from other witnesses.

The WITNESS: May I suggest, with deference, that is perhaps a matter which your secretariat could handle. It is a matter of government record. There have been statements in considerable number tabled as orders for return in the House. It is largely a high class clerical job to put these things together and to check with the various departments, Mr. Howe's department, Mr. Gardiner's department, Mr. Abbott's department, and one or two others.

The CHAIRMAN: We will get that information.

Mr. IRVINE: I wish to make my point in this connection: I have some figures here which I believe are correct and if they are incorrect I am sure you will correct me now or sometime later, which refer, for instance, to the milk subsidy. I believe there were two subsidies on milk. After the removal of the first subsidy, the price of milk apparently rose from 10 cents per quart to 12-5. Then, later, the other subsidy—

The WITNESS: Excuse me, but is this a dominion average or just some locality?

Mr. IRVINE: No, this is the dominion average.

The CHAIRMAN: Do you not think that for the convenience of the committee if a member of the committee is basing a question on statistics he should furnish the committee with the source because someone else may want to follow it up.

Mr. IRVINE: If you will permit me to use this for the basis of my question, I shall not insist on it being accepted as accurate because we can get the particulars from another source and we can check it. However, I think these are near enough for me to base my question upon.

It appears that the price of milk, after the removal of the second subsidy, jumped, the very next month or perhaps the next day for all I know, from 12·5 cents a quart to 15·2. We find the same result in respect to butter. A month after the butter subsidy was removed the price jumped from 45 to 50·8 cents and so on. Now that would seem to indicate, would it not, that in these matters, and I think the same will be found in respect to all commodities upon which subsidies were paid and upon which ceilings were placed, that the immediate cause of the recent rise in prices was the removal of the subsidies and the removal of the ceilings?

The WITNESS: Yes. When what we called the consumer subsidy of 2 cents a quart was removed in June 1946 the price of milk went up by 2 cents a quart the very next morning. That was natural and indeed inevitable, because that consumer milk subsidy was paid to the distributor. I do not know how it was in other cities but here in Ottawa our dairies printed milk tickets setting out 12 cents a quart, covering a subsidy of 2 cents and a net price of 10 cents, and that subsidy was paid direct to the dairy, to the distributor, on production of evidence as to the number of quarts of milk he had sold to consumers the preceding month. When the government removed the subsidy milk reverted to the lawful price which was 12 cents in the case of Ottawa. The second subsidy was a subsidy paid by the Department of Agriculture to the producers of milk for the fluid market and while there were some variations in certain parts of the country it was pretty general that it amounted to 55 cents per hundred pounds of milk testing 3·5 or 3·6, I think it was.

Mr. MAYBANK: 3·6 a quart?

The WITNESS: No, 3·6 per cent butterfat.

Mr. MAYBANK: Oh, I thought you said cents.

The WITNESS: 55 cents per hundred pounds is almost exactly $1\frac{1}{2}$ cents a quart, there being 38 point something quarts in a hundred pounds. When we removed that subsidy the price in Canada went up by varying amounts. The committee will recall that the Prices Board had withdrawn from the field of fluid milk prices the previous June after conferring with the provincial milk boards and the control of milk prices was left to the unrestricted discretion of the provincial milk boards without the wartime requirement of our concurrence. When we took off the 55 cent per hundred pound subsidy different milk boards authorized price increases in varying amounts. I speak subject to correction on the details but Ontario and Quebec I know were each 3 cents. Manitoba I recall was $1\frac{1}{2}$ cents. My recollection is Alberta and Saskatchewan were 2 cents.

Mr. LESAGE: As a minimum?

The WITNESS: As a minimum.

Mr. LESAGE: It was not a fixed price in Quebec at least.

The WITNESS: I am not sure of the Quebec legislation but I think you will find in many markets it was de facto, if not de jure, a specified price. The price went to that main figure whether it was a maximum or a minimum and that was the price of milk.

Mr. CLEAVER: In the meantime had you curtailed at all the services and so on? Had they been relaxed?

The WITNESS: We of the Prices Board withdrew all our orders I think with the exception of the order restricting whipping cream. We withdrew in June, or very shortly thereafter, all our orders governing or regulating the distribution of fluid milk. We retained the prohibition on any cream higher than 18 per cent for I think almost a year thereafter because of the butter shortage. I should make this point also that even during the controlled period we of the Prices

Board never fixed the price, we always concurred in orders of the provincial boards. That is to say if the price of milk or the legal basis of it was an order of the Ontario board it carried our signed concurrence. What happened in June 1946 was we notified the provincial boards that they no longer required our signed concurrence.

Mr. MERRITT: Is it correct, Mr. Taylor, that at the present time there is the same price control over milk in Canada as during the war save for your concurrence?

The WITNESS: Yes. If I may make one correction, the province of British Columbia had no milk board and we left in effect certain orders regarding Vancouver milk for a period of three or four months after June 1946 to give the provincial government time to set up provincial milk authority.

The CHAIRMAN: Is it not a fact while you have control you did not fix the minimum price of milk?

The WITNESS: We did once. We fixed the minimum price in Vancouver.

Mr. HARKNESS: The minimum or the maximum?

The WITNESS: We fixed the minimum price in Vancouver or it was both—both a minimum and a maximum. I cannot recall, I would have to refresh my memory from the files but Colonel Merritt may or may not be familiar with, shall I say the price war going on in Vancouver between two separate groups, and in our judgment it got to the point where it was affecting the longrun supply conditions in the Fraser Valley and we did move in and fixed a minimum price because British Columbia had no milk control authority.

Mr. MACINNIS: May I just interrupt?

The CHAIRMAN: Well—

Mr. MACINNIS: I think this question is necessary at this point or I would not interrupt. Was there any agreement between the price board and the provincial authorities that as long as prices remained as they were when the subsidy was paid that subsidy would be paid until some future time, so long as the provincial boards were not allowed to raise the price?

The WITNESS: That would be the producers' subsidy of 55 cents and that would be the only way because we retained control until after we rescinded the consumers' subsidy. Between the middle of June 1946 and October when—I was going to say that we legally withdrew but that is a nice legal point, under the order in council we still had power to require concurrence but we notified all the milk boards that they need no longer send their orders to us for concurrence and there were conferences between ourselves and the provincial milk boards at that time. There was no agreement. I speak subject to refreshing my memory from the file but I recall there had been a pretty general expression from the milk boards that there would be no increase.

Mr. MACINNIS: There was an understanding?

The WITNESS: No, we made it very clear that we were drawing out of the picture and they in turn assured us they saw no reason at that time nor during the course of that summer for any adjustment. I will qualify that and express some doubt about Saskatchewan because in Saskatchewan they had a rather substantial problem of milk supply particularly in the Regina area where the chairman of the milk board felt they would have to examine the situation carefully.

Mr. IRVINE: I did not suggest the price of milk had been fixed. I was referring to withdrawing the subsidy and I assumed from the statement of the witness yesterday when he said something to this effect—that the elimination of the subsidy was a necessary pre-requisite to the decontrol of prices—that they would hardly have given subsidies in connection with milk without having some

kind of control over the prices. However the point I was trying to make from the whole question was that there was a market rise in prices after the removal of the subsidy in some cases and, in others, after the removal of the ceilings, so we may truly say the recent rise in prices was due to the removal of the subsidy.

The WITNESS: As I said in the opening statement the subsidy that the government withdrew was 2 cents a quart and it was expected that figure would be translated into consumer prices and there was no expectation it would take the form of a reduction in the producers' price.

By the Chairman:

Q. May I just tie in one thing following the question pursued by Colonel Merritt. I asked Mr. Taylor whether it was not a fact that the board, during the war, did not set prices and he stated one instance in Vancouver; but generally speaking is it not a fact that you did not set minimum prices?—A. Yes, you are talking about milk now?

Q. Yes, I am talking about milk.—A. When I was speaking to Mr. Lesage and the legal form of the order in Quebec and Ontario was mentioned, whether it was de facto what we did was always to concur in the order of the provincial board.

Q. Yes, and Colonel Merritt made the proper observation that there was still control of milk prices but it was now under another authority. Having in mind that statement, may I ask you this? Is it not a fact now that in some provincial jurisdictions there are minimum prices?—A. Yes. In every province in Canada now the price of milk in all the main markets is set by a government authority.

Q. With the result that the theoretical position is—let me put it that way—the theoretical position is that an individual might in a given provincial jurisdiction be prepared to sell at a price below the minimum but he is precluded from so doing by virtue of some provincial regulation or legislative enactment?—A. That I believe is a fact.

Mr. MERRITT: In what province is that a fact, do you know?

The WITNESS: Well I think you would have to get that—I think the report of the Ontario royal commissioner has appendixes on all this. I have not got it here but my recollection is that Manitoba has a fixed price and it would be unlawful to sell above or below. In Ontario the legal form is a minimum price. I think the same is true of Quebec. Manitoba, for example, authorizes a lower cash and carry price than off-the-wagon price, or rather a lower store price than wagon price. Saskatchewan used to have and may still have a requirement that the store price was higher than the wagon price. Broadly speaking we did not quarrel with the provincial set-ups as they existed when we moved in. We merely said to them you have been running your own show for six or eight or ten years and we will not disturb the system. Apart from that we will not interfere with the setup.

Mr. IRVINE: Then, Mr. Chairman, I would just like to finish because I am a lot more interested in milk than other things, and if the committee desires to follow other phases of the inquiry when I am through I would like to finish the few questions I have.

The CHAIRMAN: Yes.

By Mr. Irvine:

Q. As to the elimination of subsidies being prerequisite to the decontrol of prices, would the removal of subsidies have been necessary if prices had not been decontrolled in the first place?—A. The point I am making is this, that

I think it is a sound principle of financial administration that you ought not to pay subsidies unless you are sure they will serve the purpose for which they are intended.

Q. Yes. I appreciate that. Therefore, if you are going to decontrol you have got to remove subsidies; therefore, the removal of subsidies is part of the problem of decontrol?—A. Yes.

The CHAIRMAN: That will be a matter for judgment.

Mr. IRVINE: Yes. I want to make just one more quotation from Mr. Gordon. Probably I am over-feeding you.

The CHAIRMAN: There has been a lot of food here.

Mr. CLEAVER: Which broadcast is this?

The CHAIRMAN: This is a broadcast of November 15.

Mr. CLEAVER: Or 1946?

Mr. IRVINE: Yes. Referring to the statement he had previously made on prices of certain commodities he says:

We looked at clothing prices which are now approximately 50 percent over the prewar level. Here again, we know that the world price of the raw cotton has shown an extraordinary increase—from less than 10 cents per pound before the war to nearly 40 cents just recently, and now about 30 cents. Largely because of this remarkable increase, clothing prices in the United States have risen by 65 per cent over pre-war; or twice as much as in Canada.

Now, he says:

It would be a pity to adjust the whole spectre of Canadian prices for cotton products on a basis which might bring increases to the consumer of upwards of 40 per cent.

Now, does that statement not suggest that prices can be held within reasonable levels in Canada despite the high prices in the United States?

The WITNESS: Yes. What I am observing is that the gap between Canadian and American prices today is almost the same as when Mr. Gordon spoke. He referred to 30 points. It is still just over 30 points between the American clothing industry and ours; from theirs at 191; and ours at 161.

By Mr. Irvine:

Q. You would not suggest that the fact that they are charging a little more than we are would justify the higher prices in Canada? You do not see anything in that, because that argument would probably mean we would not have control of prices in Canada at all because in most instances they have been above us?—A. What I was pointing out was that when estimating the wisest course in timing the decontrol you had to bear in mind that at some time in the not too distant future you have to withdraw from these controls, and there is a great deal to be said for narrowing the gap between external prices and your internal prices so that the suddenness of the break will not be too great.

Q. Yes. You stated that in substance a few minutes ago, and I think it is a wise statement. I think that is all we can expect from any system of price control. And I notice here that in the graph which appears in the statistical memorandum given to us by the Bureau of Statistics, by Mr. Marshall, that the prices in Canada were higher than those in the United States by I should guess about 6 points by about the time the controls were imposed in Canada and our prices then levelled off to a pretty straight line until the moment when they were removed. Meanwhile, the United States line on the graph has gone up and is still going up, and as soon as controls were removed in Canada then our prices

started to go up in line with the United States prices and threatened to get up with them; so there is no question that the price controls were a great boon—and I think they were—to the Canadian people. But, since the same conditions to a large degree still prevail in Canada, namely, there are still shortages and there is still an abundance of purchasing power in relation to the goods available, and all the other factors which were present during the whole time when prices were under control; what justification would you offer for having removed them when they were removed?—A. I want to make one point, Mr. Irvine, something which I think is of fundamental importance. It is about the period of controls and their not being in a too rigid form. We had a situation there where external prices are not very much above ours throughout the period 1942, '43, '44 and '45; the American price level which is the one which has the more magnetic effect on ours than any others—American price levels were generally speaking pretty much in line with our own; higher in some respects, lower in others; and there are the two economies which are closely related at so many points; and then we have the fact of geographical proximity; and that all affects the problem of administration—that is all I can speak of—the problem of holding the Canadian price level very far below the American price level is one of increasing difficulty.

Mr. MAYBANK: Mr. Irvine just a few moments ago remarked that over a period of time our price level was above the price level of the United States. It is shown on the graph on page 6. You have had some experience in reading these graphs—

Mr. IRVINE: The one to which I was referring is on page 15.

Mr. MAYBANK: The graph I think Mr. Irvine was looking at and to which he is directing attention now shows the curve with the Canadian line from the middle of 1943 through 1944, 1945 and running into 1946—the wholesale prices—

Mr. IRVINE: No, I am taking the cost of living.

Mr. MAYBANK: Oh, the cost of living one?

Mr. IRVINE: Yes, the one on page 15. It was below, then it crossed the American line, and immediately after the imposition of price control they kept steadily levelling. The question I wanted to ask was one arising out of the statement just made by Mr. Cleaver.

Mr. MAYBANK: Then, dealing with that one, what percentage does the gap represent? I see it shows not the percentage but rather the points.

Mr. IRVINE: Yes, the points.

Mr. MAYBANK: It shows about, I should say, 210; would that be fair—2·5 per cent of a difference?

Mr. IRVINE: I was figuring it at about 216 points.

Mr. MAYBANK: Where is that, is that 116?

Mr. IRVINE: I meant 116, not 216.

Mr. MAYBANK: The points are registered there and I think they run to 210. don't they?

Mr. IRVINE: They run to 211.

Mr. MAYBANK: And they began with 90?

Mr. IRVINE: 200.

Mr. MAYBANK: That will be somewhere in the neighbourhood of 5; right?

Mr. IRVINE: The United States prices, which represent the cost of living to a large extent throughout the whole period during which our controls were in place, were very substantially above Canadian prices. Now, while I have no doubt that from an administrative point of view it was a very difficult task to maintain those controls, still they were maintained and the Canadian price level

was pretty steady and stable for four years during which the American price were very much above ours. That having been so during the war years is there any good reason why it should not have been maintained for a year or more, say two years or more, even four years longer?

Mr. CLEAVER: I would say from the chart it is still wider, that price variance between Canada and the United States; if I read the chart correctly.

Mr. IRVINE: Would you mind just waiting until I get my answer?

Mr. CLEAVER: It is wider today than it was during the war. From 1943 to 1946.

Mr. IRVINE: Yes, that is really so.

Mr. CLEAVER: Then, where is the point in all this?

Mr. IRVINE: The point of my question is very clear. If you will look in 1945 you will find that the gap between the prices in 1945, there is a difference—

Mr. CLEAVER: It amounts to almost 10 points.

Mr. IRVINE: Just about as much as it is between the points here.

Mr. CLEAVER: No, it is at 470—a difference of 15 points.

Mr. IRVINE: I am dealing with the cost of living on page 15.

Mr. CLEAVER: So am I. There was a difference of 15 points at the end of 1947.

Mr. IRVINE: I am not arguing that it is exactly the same. I am arguing that there was a great disparity of prices during the period during which our controls were maintained; and if the witness will argue a 5-point rise would make the thing impossible then, of course, we have that chart showing a 15-point rise in United States prices over-all, that would make controls still more impossible, whereas they were controllable before.

The WITNESS: In replying to that I would of course, Mr. Irvine, be expressing my personal opinion. After all, American prices were not controllable in our hands. With a gap of more than 20 points between the Canadian and American price levels our problem of controlling prices would have been intolerable, having regard to the subsidies, because of the rigidity of the controls. That would be so, particularly having in mind what I call the wartime psychology of the community. At the end of 1945 Canada was almost exactly 10 points; at the end of 1946 it was 26 points; and at the present time there is a difference of 19 points, the difference between 147 and 157. Now, in one sense I suppose we can say that nothing is impossible, given the strength and approaching the matter from the viewpoint that the community as a whole thinks these things ought to be done. It was quite clear, coming very soon after September, 1945, that there was a great deal of restlessness among all sections of the community with these wartime controls. In some countries that restlessness reached a point which resulted in rather speedy abolition of all controls. In Canada I think I could say public opinion and the public attitude is somewhat less volatile than other countries, and we have moved out of controls at a much more gradual rate than the United States, to draw a specific comparison, but the decision, of course, to decontrol at a certain time and certain date is a matter of government policy which I am neither competent nor qualified nor would it be appropriate for me to discuss.

I do think that there is an economic aspect on which I can express a view, namely, that without a degree of control, and detailed control which developed a large measure of repugnance among a large section of the community, and by no means regional in its incidence, we could not have held prices in Canada at anything like the level that we maintained them from 1941 to 1945.

Mr. HARKNESS: On a point of order, is it any part of our function here to discuss and take a long time in this committee debating the value of a controlled system of economy as opposed to a free system of economy?

Mr. IRVINE: I am not going to answer that. Mr. Chairman, you will have to rule. I do not think we were discussing one kind of economy as against another. I think that is an interpretation of my questioning and of the answers, which may or may not be permissible. I have no desire to argue that at the present moment. I have practically achieved all that I wanted to. I understand that the witness agrees that the removal of subsidies and price ceilings was perhaps the main factor in the recent increase in prices in Canada, however he may argue as to the necessity for doing that. I think it is agreed that is so.

Mr. HARKNESS: What I had in mind was we do not need all this discussion in order to establish that point. If we look at these charts on page 16 you will see the wholesale price index in Canada was above that of the United States right until the middle of 1946 and it was not until the middle of 1946 that Canadian wholesale prices dropped below American wholesale prices whereas the cost of living index for Canada was below that of the United States from about the middle of 1942 onwards. Therefore it is quite clear that the reason that the cost of living index is below the wholesale index is because of subsidies.

Mr. IRVINE: Then we have found the thing we were looking for in this committee and do not need to go any further.

Mr. HARKNESS: What I am getting at is all we need to do is look at the chart and we can find that out in two or three minutes without wasting all this time on it.

Mr. IRVINE: My friend might go a little further and say there is no need to have a committee, but the point is we have found the reason we were looking for as to the cause of the high cost of living.

Mr. HARKNESS: That does not follow at all.

Mr. IRVINE: If that is so we are through.

The CHAIRMAN: May I suggest, Mr. Irvine, that I think that sometimes a man creates more efficient operation as a chairman if he avoids making as many rulings as possible. That is going to be my practice where I can avoid making a ruling. I think that perhaps we get further, but since you said you have achieved your point possibly I am relieved of ruling immediately on the matter.

By Mr. Fleming:

Q. I should like to ask some general questions now of Professor Taylor. Professor Taylor answered some questions this morning dealing with these same matters as applied to butter. I should like to extend the nature of my questions more widely now. Has the board given the same kind of vigilant enforcement of section 8 of the general order with respect to other commodities entering into the cost of living as in the case of butter? I think my question this morning was directed particularly to butter. I wonder if we can take the same answer as applying to the enforcement of section 8 with respect to other commodities as well that enter into the cost of living?—A. Yes, certainly of the staple commodities. We have not pursued cosmetics.

Q. I am speaking of the main staple commodities that enter into the cost of living?—A. Yes.

Q. Can you say what has been the experience of the board with respect to compliance on the part of the public with the provisions of section 8 which I suppose we can call the anti-profiteering and anti-hoarding section.—A. I think that by and large the same answer would apply.

Q. Coming specifically to the period of the last two years, which is the period we were discussing this morning, have you had occasion to prosecute for violations of section 8 with respect to any of the other staple commodities entering into the cost of living?—A. I think all our prosecutions were under section 8.

Q. I am speaking with respect to the staple commodities of the cost of living within the past two years. You stated this morning in the case of butter you had had no prosecutions within the last two years, and I think you said no complaints. I am asking broadly now about the other staple commodities that enter into the cost of living.—A. I think what I said this morning was we had had no prosecutions in relation to butter that were based solely on hoarding. I remember referring to the fact that withholding from sale may have entered into some other prosecutions which involved black market offences, breaches of rationing, and so on, but we have had no prosecutions as to butter where the sole charge was withholding from sale, none that I have any recollection of.

Q. Will you extend your answer to these other commodities?

The CHAIRMAN: Before you proceed with that last line of questioning it is not clear in my mind what effect enforcement would or would not have on the immediate problem with which we are concerned, namely, the rise in the cost of living, the rise in prices.

Mr. FLEMING: Mr. Chairman, our concern is three-fold. It is not confined simply to ascertaining the causes of the recent rise in the cost of living. We have B and C as well. The information I am seeking applies to all three.

The WITNESS: May I make this statement, Mr. Fleming? The Dominion Bureau of Statistics has commenced within the last five or six years collecting information on commodity inventories. Unfortunately from the point of view of drawing what you might call more refined conclusions the series was only begun in 1942 in part, I think, and in fairly wide coverage in 1944. The Bureau of Statistics undertook these inquiries at the request and in collaboration with the Wartime Prices and Trade Board. Since the dissolution of our research division they have been carrying them on as a part of their regular procedure. They have compiled, and I am sure Mr. Marshall would be able to provide you with, a very substantial body of statistics of inventories held at each month going back, I think, in most cases, to 1944.

Those figures again confirm the general view but you will find, of course, a fairly considerable increase in dollar inventories over the last eighteen or twenty months which is very largely a reflection of increased prices. To the extent that you can legitimately deflate them by correcting these price increases it still shows in some industries some increase in inventories at the manufacturing level, the wholesale level and the retail level.

There again I would point out it is difficult to interpret these with complete assurance because in no part of the series are you dealing with what you can call a normal period. Inventories in relation to sales, stocks in relation to sales, were dropping all the time during 1943, 1944 and 1945. They have started to pick up. I have not the material here but it passes over my desk in the form of Dominion Bureau of Statistics bulletins. I suggest again that it is a topic on which the secretariat of the committee might prepare a memorandum for circulation to the members as to what those figures are.

By Mr. Fleming:

Q. I think we might well seek those figures, but I want to come back to the question I put before. You have given an answer this morning and repeated it this afternoon with respect to the experience of the board in enforcing section 8

with respect to butter. I am asking if you will extend your answer and give the committee information as to infractions of section 8 with respect to other commodities than butter entering into the cost of living.

The CHAIRMAN: Mr. Fleming and I were having a little undertone polemic here. I do not want to restrict his line of questioning in any way but I should like to be shown just exactly how in reference to B and C the question of enforcement can lead us into a useful channel.

Mr. FLEMING: Mr. Chairman, with respect I would have thought it was quite obvious. You have in section 8 prohibitions on the selling or offering for sale of goods or services at a price that is higher than is reasonable and just, and on the withholding of goods or services from sale or supply for a price that is higher than is reasonable and just. You have a further prohibition on the acquisition, accumulation or withholding from sale of any goods beyond an amount which is reasonably required for the ordinary purposes of the business of the individual, in other words, language in all respects equivalent to that in C of the reference to this committee. I think it is a matter of first importance. It is an obvious source of information to us. If the Wartime Prices and Trade Board in giving vigilant enforcement to this section has uncovered cases of the acquisition, accumulation or withholding from sale by any person of goods beyond an amount which is reasonably required for the ordinary purposes of his business I should think we would want to know that. How otherwise can we possibly trace the rise in prices due to that influence?

Mr. LESAGE: On that point I think Mr. Fleming's question would be in order if he asked Mr. Taylor, or the head of the enforcement section of the Wartime Prices and Trade Board, if they can supply us with any information about it, but I do not think it would lead us anywhere to know whether or not it has been enforced. It is information that he can supply us, it is not enforcement or non-enforcement. We are not here to try the Wartime Prices and Trade Board, but to seek information.

Mr. FLEMING: I have not assumed for a moment it would be necessary to suggest that non-enforcement by the Wartime Prices and Trade Board of this section would be a cause of a rise in prices due to accumulation prohibited by the section which has not been prosecuted by the board. I trust that is not the kind of information we are going to get, but it is strictly relevant. I think the committee wants to know the experience of the Wartime Prices and Trade Board which has been dealing with this very situation, the very situation we are called upon to investigate, to try to ascertain what are the rises in prices, and whether any rise in prices is due to the very thing that this general order setting up the Wartime Prices and Trade Board prohibits.

Mr. LESAGE: We will not find out by ascertaining whether there was enforcement or not. There may not have been any lawsuits, but there may have been directives to the trade which would amount to the same thing.

Mr. FLEMING: Surely, we are going to find that out. I asked the Chairman of the Wartime Prices and Trade Board if there had been any prosecutions. I asked him that this morning with respect to butter and he answered that. Then, I asked him about complaints and he answered that. Then, I asked him about compliance on the part of the public with this section. Now, I propose with respect Mr. Chairman, to review the same questions in the same way with respect to other commodities which enter into the cost of living, just as I did with the questions on butter. The chairman restricted the questions this morning to butter.

I started on this question and the chairman himself stated, "This will apply to butter". I proceeded on that basis. I desire now to extend my questions to

apply to the whole range of stable commodities which enter into the cost of living. I want the experience and information of the Wartime Prices and Trade Board with respect to that matter. I am proposing to take it back, as I did this morning with butter, for a period of two years.

Mr. LESAGE: Two years after the ceiling prices were removed?

Mr. FLEMING: No, I start with the beginning of 1946, because I think we are only concerned here with the information which is sufficiently recent to be relevant. If my friend Mr. Lesage desires to go into a prior period, I do not see any reason why he should not but, for my part, I would be satisfied to limit my enquiry to the last two years.

Mr. CLEAVER: Enforcement since the war as opposed to enforcement during the war?

Mr. FLEMING: I was not going back to the question of what happened during the war. I was interested in finding out what happened within a reasonably recent period, with respect to acquisition, accumulation, withholding from sale of any goods beyond an amount which is reasonably required for the ordinary purposes of an individual's business.

I also desire to ascertain whether there is evidence, the kind of evidence which I believe, if it exists, the committee will desire to follow up, as to whether within this reasonably recent and relevant period there are persons who have been selling or offering for sale or supply any goods or services at prices higher than are reasonable and just.

The CHAIRMAN: We may be at cross purposes, Mr. Fleming. From your explanation just given, I certainly agree with you that that is a line of questioning with which we are very much concerned. If you can bring out, for instance, the facts as to accumulations, as to any evidence the board has as to individuals or firms or corporations withholding from sale to certain persons, that kind of information I believe is certainly within our terms of reference and within our interest.

I had suspected—I should not use the word “suspected”—I had formed the judgment when you were dealing with the question of enforcement that I could not see how enforcement or non-enforcement would lead us anywhere. It might be a factor in criticism of the administration, but that would be another matter. I did not see how it would give us the information we desired. Now, may I say to you at the outset, if you are after the information relating to accumulations or withholding, then I think that is desirable information for us to get out.

You will remember this morning just at the end of our session, I did take issue with you as to your line of questioning with regard to butter because I did feel it had to do with a question of enforcement. Let us leave it at that. If your last explanation is what you are really after, then I think possibly I was in error in intervening.

Mr. FLEMING: You have introduced a factor there which, in candor, I ought to comment upon because I cannot anticipate what evidence Professor Taylor may give. I said earlier I did not expect for a moment there would be any indication that the Wartime Prices and Trade Board did not enforce the section. Now, I think Professor Taylor will give us, as he did this morning with respect to butter, the assurance that the Wartime Prices and Trade Board did vigilantly enforce this section as applied to all other commodities entering into the cost of living.

You have raised a hypothetical question there. If Professor Taylor said, “Well, no, we did not”, then I would have to say to you, as a matter of argument, I think non-enforcement of an existing law directed at the very thing into which we are enquiring has probably encouraged some people to think they

have a free rein. Let us not argue that for the present because I am quite sure Professor Taylor will give us the same assurance with respect to enforcement as applied to all commodities, as he did this morning with respect to butter, that the board has given vigilant enforcement in keeping with section (8) and the general order. If he will just say that, then we can go on and not waste time.

The CHAIRMAN: He has answered that question.

Mr. MACINNIS: I wonder if Mr. Fleming would accept this as a reasonable deduction on the other side. He said now, because there were not prosecutions, it could be assumed those people were carrying on without let or hindrance. If you take that view, perhaps you would have to take the opposite of that, that because there were no prosecutions there was no need to prosecute and consequently there was no withholding. You are getting on dangerous ground.

Mr. FLEMING: You are familiar, Mr. Chairman with the problem we often run into in the courts and often argue about, as to whether evidence is admissible or whether, if objection is taken, it should be taken as to the weight of the evidence. I believe Mr. MacInnis' suggestion will have to be taken into consideration in considering the weight of the evidence. For the moment all I am suggesting is that the evidence for which I am asking is directly relevant to our proceedings.

The CHAIRMAN: Carry on and we will see whether your last mentioned intention is as good as your undeclared intention in the beginning.

By Mr. Fleming:

Q. Just to shorten this up, Professor Taylor, I take it we can assume that the board has given vigilant enforcement to the provisions of section (8) of the general order as applied to all commodities which enter into the cost of living?—A. Well, perhaps I had better make this point clear. Section (8), which has ten subsections and section (9), contain I believe, in substance, all possible offences against the regulations. Those are the two offence clauses. Therefore, every prosecution which we undertake is laid under some part of or some combination of the parts of section (8). I think what I said this morning was, and what I repeat now is, that I am not aware of any prosecutions laid solely under section (8), subsection (3), which is the one which specifically prohibits the so-called hoarding, acquiring, accumulating and withholding from sale, as to butter.

Now, as to the other commodities, there have been a very few.

Q. Within the two-year period from January 1, 1946?—A. I am advised, chiefly as to what, from an overall point of view, would be small scale hoarding of sugar. These again have emerged very largely from our operations—what I loosely call our black market investigations.

To give a general description, you are on the track of forged coupons or a black market. You come across a man who has a garage full of sugar, perhaps a few hundred bags. Often, there is no evidence at all as to where he got the sugar or what he is going to do with it. All you find is a garage full of sugar or some part of a barn with a quantity of sugar in it. He was not in the sugar using business, so charges have been laid under section 8 (3).

Q. Taking both the anti-profiteering provision of section 8 (1) and the anti-hoarding provision of section 8 (3) will you say whether the offences you have discovered there are on a scale, in the aggregate, that would influence the cost of living?—A. No, I would say they were not on any such scale.

Q. Then, as to compliance in general—that question I put to you this morning with regard to butter—have you had, then, apart from these cases of individuals playing in the black market; do you consider you have had good compliance on the part of the public with these provisions?—A. Yes. May I just elaborate very briefly on the phrase, "vigilant enforcement." I need hardly

tell the committee we have not had armies of inspectors out searching every warehouse in the country all the time. What we do is to keep, first a careful watch on the official available statistics as they are broken down regionally. This gives you the general picture of inventories.

Secondly, we follow up any leads we may get in the form of information. Often, it is just rumors, letters and so on. I am told that sometimes the communications are anonymous. It is often the practice to disregard anonymous communications. We have never taken that view. We have always been prepared to follow up even anonymous communications even though many of them turn out to be wild goose chases. In other words, short of putting out an army of inspectors to keep tab on the multifarious streams of supply which are flowing about the country, we have, I think I can honestly say, within the usual meaning of the word, been vigilant in enforcing it, both with regard to the reasonable and just clause price ceilings, hoarding and so on.

By Mr. Winters:

Q. May I ask just one question? It may be difficult to answer, but the question is this: you say you have no great history of prosecutions and not too much by way of directives; have you had any history which would lead you to believe there has been any tendency on the part of any one group to break regulations which would lead you to believe that if the regulations or your vigilance had not been there, might have resulted in undue rises in the cost of living?—A. As you say, that is a very hard question to answer. One gets the impression, and that is all I can give at this point, that the existence of the regulations and the existence of the board has been a deterrent to persons who otherwise may have.

Q. Have you noticed any concentration of stress in any one group to break through these regulations?—A. I am not sure what you mean by "group".

Q. Any one of these groupings in the index?—A. Oh, there. In rationed commodities we always had sugar and butter in particular as fields in which the black market operator had chances of making very substantial sums of money and the struggle, if I may call it that, with the black market was always with us. We had very active black market squads in the main centres of population constantly pursuing that aspect of our work.

MR. IRVINE: There was one question, just one question in this connection that I would like to ask. If there had been profiteering or hoarding which affected the prices as they are now, that would be more likely to take place after you removed the controls and therefore you would not know anything about it, is not that so?

THE WITNESS: I would not say that because we have not confined our inquiries to investigations of things still under ceilings, very far from that. There is of course always a natural, shall I say disposition, that if there is a strong presumption that the price is likely to go up in the future there will be some withholding for sale. As a matter of fact it occurs at all levels of the economy and I am sure I will not be misunderstood when I get down to the most individualistic business in the country, farming, and say that there is a natural disposition, if there is reason to believe that prices will rise, not to take stuff to market right there and then but to just wait and see.

MR. HARKNESS: Would you agree that is a perfectly proper attitude for the farmer to take?

THE WITNESS: I am not passing any judgment.

By Mr. Fleming:

Q. Mr. Chairman, Mr. Irvine's question was anticipating one I was coming to. I want to direct Mr. Taylor's attention to this question, whether or not in

the last three or four months, a very recent period, there has been any change in the experiences of the Wartime Prices and Trade Board in the light of the enforcement of this section? Have you found more cases of breach of the section? Have you found any more cases of profiteering or withholding in the last three or four months than was your experience in a comparable period previously?—A. I will have to go back to the form of our charges on prices. Take the technical form of the charges, an accusation, that the person in question has charged prices that are higher than reasonable and just and, in effect, higher than the ceiling named. I am not aware of any prosecutions that have actually reached the court stage charging prices that were higher than reasonable and just on a thing that had no ceiling attached to it.

Q. Well I do not know whether you get the question fully. Your answer is interesting and I may want to come back to it. Dealing with your answer in general made previously to my question about your experience with enforcement and compliance with section 8, profiteering and hoarding, has there been anything in your experience in the last three or four months that has been out of line with your previous experience or has it all been of a similar pattern?—A. The difficulty with experience, Mr. Fleming, is that when you had a named price ceiling, exceeding that ceiling was a pretty clearcut question of fact. We did get into questions of discount and so on but by and large if the ceiling for sugar is 9 cents a pound and anybody charges more he is charging more than is reasonable and just and you lay a charge on that basis. The fewer ceilings you had the more frequently the question rose as to the matter of judgment. Here is a commodity that has no ceiling price, the government has not named a price, and the selling price is so and so. Is that unreasonable or is that an unjust price? That raises of course an entirely different approach to the matter. It gets into the field of opinion rather than facts as to whether a given price is reasonable and just. In the light of general circumstances where the government has not fixed a price there has been a different kind of problem arising in the last eight to ten months since the removal of a very large number of the price ceilings.

Q. Well I take it some of your cases, a higher percentage of the cases, have had to be cases of selling at prices higher than reasonable and just as compared with the cases of selling in excess of those prices fixed by the board.

Mr. CLEAVER: No, I understood the witness to say there had been no prosecutions of unjust and unreasonable prices where there was no ceiling.

By Mr. Fleming:

Q. Well would you clear that up for us?—A. In substance there have been no prosecutions carried through on the basis clearly and solely that the price was higher than reasonable and just on commodities where there was no ceiling. I am reminded there were cases where for technical reasons, evidentiary reasons, the Crown has failed to prove the technical existence of a ceiling. We have nevertheless gone ahead and obtained convictions notwithstanding the gap in the evidence of the reasonable and just clause, but the substantially correct reply to your question is that no charges have been laid purely and solely on the basis that prices were higher than reasonable and just in the last two years.

Mr. LESAGE: Would it be all right to say it would cover cases of clear profiteering but it would be rather easy in any defence to plead good faith to such a suit?

The WITNESS: Yes, perhaps I might, Mr. Chairman, just make a few comments on the whole question of reasonable and just. It has been pointed out under section 8 (1), or section 8 generally, that if the board has fixed a price any higher price is conclusively deemed to be an offence and conclusively deemed

to be higher than reasonable and just. In practice, of course, the fixed maximum price becomes the going price and makes the mark-up the prevailing mark-up. There are many cases of goods being sold below the ceiling but substantially the ceilings were so set that it was unlikely there would be any large volume of sales at prices below the ceiling price. I qualify that again on certain agricultural products where we had a flat ceiling price throughout the year but, as in the case of eggs. At times eggs were away below the ceiling price and then would come up to ceiling, but broadly speaking the ceiling price tends to become the going price. The question of the ceiling and mark-up controls involves a considerable element of squeeze and roll-back, certainly for the marginal operator and the less efficient or disadvantageous operator. Hence, when we took the ceilings off there was bound to be a certain amount, and perhaps in places a considerable amount, of re-adjustment. If a commodity was selling in a sellers' market the price would tend to rise and the margins to widen. Where there was a fairly balanced supply and demand prices tend to respond to the competitive situation. Now, lacking a formal ceiling on prices to determine what is the fair price, reasonable and just becomes very much a matter of opinion. A decision to decontrol is, in effect, a government policy decision that is proper in all the circumstances in order that the determination of price should, in the broad public interest, be restored to the normal market; the normal operation of the flexible forces, the normal freedom of choice and the freedom of contract. There is, then, in the nature of the case a very broad band or twilight zone of depth between what is clearly reasonable and clearly unreasonable. I might take as an example butter. I would express the personal view that a retail margin over current cost of say 10 cents a pound would be clearly unreasonable. Even there I do not know whether a judge and jury would agree with me.

Mr. FLEMING: You are speaking of the margin in the case of a retailer?

The WITNESS: Yes, if a retailer was taking 10 cents a pound over his current cost—

Mr. MAYBANK: That is the markup only?

The WITNESS: Yes, I am saying if a retailer paid 70 cents for butter and sold it at 80, in my judgment that would be an unreasonable markup. If the retailer was charging 10 cents more than the wholesale price I would say that would be unreasonable. Even there a judge and jury might disagree with me, I do not know. A margin of the $3\frac{1}{2}$ cents a pound in our opinion is clearly reasonable; that is why we fixed it in our order. As I said this morning I know of cases before the ceiling came in where 7 or 8 cents a pound on a free market amongst a lot of independent retailers was not uncommon. Now I have considerable doubts that a prosecution under the reasonable and just clause only and solely could succeed unless it referred to prices that were clearly above and beyond what I call this twilight zone. You must remember of course these proceedings are criminal proceedings where it is the duty of the Crown to prove the case beyond a reasonable doubt. Now the reasonable and just clause then can deal with flagrant cases but it is of some doubtful effectiveness in dealing with what I call borderline cases. Now it has never been the policy of the board to harry the producer or merchant by prosecuting on what we regard as very doubtful evidence. The policy has usually been to give one or more warnings unless the case is unusually flagrant. I think that is evident by the percentage of convictions—I do not add too much weight to them—but we have had over 30,000 prosecutions in the course of six or seven years. I think that convictions have been registered in something like 95 or 96 per cent of the cases. We have been very conscious of the fact that these are rather complex but narrow regulations and we have adopted as a matter of policy that we were not, as sometimes alleged, prosecuting or harrying the merchant.

By Mr. Fleming:

Q. Just isolated cases?—A. Yes, just isolated cases. But I make this point. A. That includes everything up to the end of 1947. We had 34,000 odd prosecutions. Of those, nearly 15,000 were on rationing; 3,500 were around Windsor; some 8,000 were in the form of proceedings under Munitions and Supply regulations—we in that department handled the prosecution respecting gasoline, tires and so on.

The CHAIRMAN: How much there?

The WITNESS: About 8,000 under Munitions and Supply. I am speaking more particularly of the Wartime Industrial Control Board. And, I repeat, roughly 15,000 under prices. To go over it again; 15,000 to prices, 3,500 under rentals; 6,000 under rationing; 8,000 on gasoline, tires and regulations of Mr. Howe's department. Those are actual prosecutions.

By Mr. Fleming:

Q. How many have you had with regard to withholding from sale and hoarding?—A. As I said before, we have had none in the last while.

Q. Just isolated cases?—A. Yes, just isolated cases. But I make this point, that usually when you have cases of this sort in a very high proportion of the cases you have a mixture of rationing offences, price offences and the like, because the man who is dealing in the black market—let us say in black market coupons—is certainly withholding or hoarding sugar, or whatever the case may be. In other words, you are prosecuting on a group of technical offences rather than on single offences.

Q. And how many convictions did you get?—A. Out of 34,135 we have 32,509 convictions, 1,626 acquittals; or 95 per cent convictions.

Mr. CLEAVER: There was one question answered during Mr. Irvine's examination on which I would like to ask you a question, if I may.

The WITNESS: I thought I was pretty well finished there. I was going to say further that the establishment of proof of an unreasonable price can be very difficult, where you have joint costs or inter-related commodities. I mentioned the other day our meat products, different parts of the carcass—and I won't start, Mr. Maybank, going all around it again—sell at different prices, and at different seasons of the year certain goods fall off, sell at lower prices, while at other times they sell at a little higher price than normally. You see, business fluctuates. In the case of a great many commodities there are joint costs on joint commodities. The flour milling business is producing flour at the same time as it produces mill feeds, and it may be alleged that the flour is not too high in relation to the mill feed price because they have to average out on the product. Similarly in the oil business. You produce oil, you produce protein feeds of various kinds; and in the corn refining business, you produce 25 commodities—cornstarch, corn syrup, glucose, dextrose and a long line of things—gluten feed—they all come out of the same product. I am not trying to build up a lot of excessive difficulties. I am pointing out that to proceed under the reasonable and just clause does present difficulties; and we have not had any cases, at least in the last couple of years, where we have proceeded on that ground alone. We have some under investigation at the present time where we are giving some thought to laying formal charges on that basis. They are rather difficult cases on which to form any judgment.

By Mr. Fleming:

Q. Could you give us any information as to what commodities are involved in these cases which you have under consideration at the present time?—A. I think, Mr. Chairman, that I might be excused from being committed on that point.

Q. Might I ask, would it be embarrassing for you to give us the commodities without giving us any names. I am not asking you to give us names, but just particular commodities.

MR. MAYBANK: Another point before that is answered, if you don't mind, although I do not want to press this. You might also consider whether the type of evidence being asked for and given is generally imposing difficulties that should not be imposed on an important man. I am sure Mr. Fleming would not desire that.

MR. CHAIRMAN: I was going to suggest that that is the kind of information which at this stage might be placed in the hands of the steering committee to use its discretion as to disclosure at this stage. I think that information certainly in some form or other comes within our right. It may be that this is not the opportune moment to deal with it.

MR. CLEAVER: We might get it in camera. I understand previous price committees have held a few sessions in camera.

MR. FLEMING: Obviously, I am not asking for the names of any individuals. I want to make that quite clear. What I want to get at is the commodities concerned, if the cases under consideration are largely confined to one or more particular commodities, or whether there is any inference to be drawn from the commodities concerned

THE WITNESS: I will tell you, Mr. Fleming, that there is no long outstanding list, but there are some. I want to raise one other point before we leave this phase of the matter; that is, as to the difficulty in establishing grounds on the basis of purely reasonable and just cause. The point I wish to call to your attention is the replacement cost. That question of replacement cost raises some very real problems. If it were possible to insist that a man must sell his goods on a margin on the actual laid-in cost, you would have a much easier case. But to have people selling at different prices; moreover, these newer and higher replacement costs are likely to continue for some time. If you proceed without adequate consideration you are likely to place a man in bankruptcy because he is not going to have any working capital if he has to sell his commodity "X" out at a price of 50 cents and the replacement cost on goods which cost him 40 cents is going to be 55 cents or 60 cents—he is not going to get enough out of his sales to be able to replace his stock.

MR. FLEMING: You reserve that then?

MR. CLEAVER: Mr. Taylor, in answering a question by Mr. Irvine as to the aims that you were seeking to accomplish in an orderly decontrol. There were one or two questions that I want to ask. Would you refer to the chart on page 6, please.

THE CHAIRMAN: Do you want to do that now, Mr. Cleaver?

MR. CLEAVER: I have to be away tomorrow, Mr. Chairman; and I thought that while Mr. Irvine's questions were on the record this might also appear.

THE CHAIRMAN: Carry on.

By Mr. Cleaver:

Q. The cost of living increased from 80 to a maximum of 150; is that right?—A. Is it page 6 you are on?

Q. On page 6; 1914?—A. Yes, in 1914 it was about 80.

Q. It goes up to 150?—A. Yes.

Q. In other words, after the first great war the cost of living increased a full 60 points?—A. About 90%, 70 points on 80.

Q. Yes, 70 points. All right. Then there was a short decline of 30 points?—A. Yes.

Q. Right. I take it and I wanted to make sure I was right, that in the answer you gave Mr. Irvine that in an orderly decontrol you are seeking to eliminate the sharp upsurge of 30 points and also the immediate decline of 30 points which occurred in a period of less than four years after the last war?—A. Yes.

Q. And you hope, or you plan, in your orderly decontrol in the future that prices will level off at a level over a particular period of time not very much higher than the present. Is that your aim, so as to avoid that sharp upsurge and decline?—A. Well, I cannot pretend to forecast what is going to happen to prices.

Q. Do you agree with this, that the chart shows that after the first great war the price structure levelled off 40 points above the price levels at the opening of the war?—A. Yes, prices levelled off at about a 50 per cent increase over prewar.

Q. Yes. Now, are you prepared to express your opinion as to at what point prices will level off after this war? If you do not care to you do not need to answer that question?—A. The answer is definitely no, sir.

Mr. WINTERS: What does that mean, that you do not care to answer?

The WITNESS: No. It is impossible to forecast, to say where prices will level off.

The CHAIRMAN: The committee stands adjourned until tomorrow morning at 10.30.

The committee adjourned at 6 o'clock p.m. to meet again tomorrow, February 13, 1948, at 10.30 o'clock a.m.

U. Doc
in
com
7

Canada. Prices, Special Committee

CAI 48-
-48-48-48

(SESSION 1947-48
HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

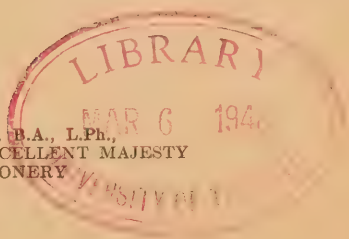
NO. 3

FRIDAY, FEBRUARY 13, 1948

WITNESS:

Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.H.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948





MINUTES OF PROCEEDINGS

FRIDAY, February 13, 1948.

The Special Committee on Prices met at 10.30 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Merritt, Pinard, Winters.

Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board, was recalled and further examined.

During the course of the Committee's proceedings the Chairman announced that important matters related to the Committee's work required his immediate attention elsewhere, and he informed the members that a meeting of the Steering Committee would be held during the day.

Mr. Maybank, Vice-Chairman, took the Chair.

At 1.00 o'clock Mr. Mayhew moved that the Committee do not meet at 4.00 p.m. this day.

Mr. Fleming moved in amendment thereto that the Committee meet again at the call of the Chair.

Amendment negatived and main motion adopted.

Witness retired.

The Committee adjourned until Monday, February 16, at 10.30 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
FEBRUARY 13, 1948.

The Spécial Committee on Prices met this day at 10.30 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Gentlemen, yesterday, a suggestion was made to me at the close of the meeting that, to facilitate everyone hearing the witness, the present physical space occupied by the witness was not the most efficient. It was suggested that if the witness sat over at a side table, he would be more centrally located and more easily heard. That suggestion came from the president of the Press Gallery. What do the members of the committee think of it?

Mr. MAYBANK: I think the witness ought to be nearer the chairman.

Mr. LESAGE: We should be sure that the members of the committee who are close to the witness speak loudly enough to be heard by everyone.

Mr. MACINNIS: There is a tendency when you are close to a person not to raise your voice. We should be careful about that.

Mr. MAYBANK: If you put the witness over at the side table, you will find that the men at the other end of the room are helping themselves, but not helping the people at this end.

The CHAIRMAN: Mr. Taylor has been a good example. All the time he has been talking he has practically been shouting and very few members of this committee do that.

Mr. JOHNSTON: Could we not get another room?

The CHAIRMAN: What will we do about the situation with regard to the witness? I desire to meet everyone's convenience. There are advantages both ways. Let us try having everyone talk loudly and see if that will not meet the situation. There are apparent reasons why the witness should be at the chair's end. I am not tied to that rule but I want everyone to hear. We will carry on this morning at least, as we did yesterday, as to the location of the witness.

K. W. Taylor, Chairman, Wartime Prices and Trade Board, recalled:

Mr. MAYBANK: Mr. Chairman, I had a series of questions I desired to ask if the way is open at the moment. I do not want to break in in the middle of anybody's examination, but I wanted to ask Mr. Taylor some questions arising out of what is listed as part 3 of the brief which Mr. Taylor read to us. It is on page 11. It deals with the general factors which are contributing to the rise in prices.

Mr. Taylor, you remarked there that you will touch on some general considerations affecting practically every country, then you will try to be more specific in relation to Canada. Looking at your brief, it appears that the first three pages are rather general. At the bottom of the thirteenth page you come to the more specific factors.

The CHAIRMAN: Speak a little louder. When you keep your hand up like that, Mr. Lesage keeps looking at me. He cannot hear.

Mr. MAYBANK: There is no use looking at you, he should look at me.

Mr. IRVINE: No use doing that.

Mr. MAYBANK: I realize it is harder on his eyes to look at me than at you.

You listed, as one of the general factors, that there are numerous and widespread shortages. About these shortages, would you say that the shortages around the world are so numerous it would be easier to list those commodities which are not in short supply than those which are? Is it as bad as that? Suppose you were giving a list—it would be a fairly large list if you had to give it—would you think the majority of the commodities are in short supply?

The WITNESS: Well, Mr. Maybank, I have, in that paragraph, listed or itemized the more important basic commodities which are in relatively short supply. Short supply is a relative term. Things are short in relation to demand.

By Mr. Maybank:

Q. Oh yes, of course.—A. It would be very difficult to develop any extended list of things that are not in short supply in the sense that their prices have been falling so there appears to have been developing a surplus.

Q. Now, how short is the supply of some of these? Take the first one, grains?—A. There is a great deal of information which has been compiled by the International Emergency Food Council which, in many respects, is in turn a successor of the Wartime Combined Food Board. What they get on those committees, the International Emergency Food Council, is what is known as stated requirements from the various claimant countries. They also get estimates of supplies from the supplying countries and, in most of those commodities when the two columns are added up, there is a very substantial discrepancy between the stated requirements and the available supply.

I do not think I can quote from memory any very accurate figures. We do know that the bread grains supply is very far short of the stated requirement of the claimants on the requirement side and have had to be scaled down quite substantially by the committees which had to suggest the allocations.

Q. Besides wheat, what were you including in the term, "bread grains"?—A. In many countries, corn, or what the Europeans call maize; rye, barley and to some extent oats, but to a somewhat lesser extent.

Q. That is included as a bread grain, is it?—A. In Scotland.

Q. I realize, of course, that they have been brought upon two things, oats and the catechism.

Mr. FLEMING: A good combination.

By Mr. Maybank:

Q. Yes, excellent. My friend at the left admits he has probably been brought up on it like a good many of us. It is also a bread grain as well as being used that way?—A. Both barley and oat flour have been used substantially in admixtures with wheat flour to lengthen out the supply.

Q. Is this right, that the supply of all those bread grains is only such as is listed from countries this side of the iron curtain?—A. I have not been very close to the work of the International Emergency Food Council for the past fifteen months, but during the war, of course, and in the years just after war, the tables did include supplies from the Danubian area. Whether they are taken into any realistic calculation today, I do not know. It would be easy to ascertain that from the Canadian members who sit in on those meetings.

Q. Would it also be obtainable from anything published, because we cannot very well call one of those people?—A. No.

Q. I do not know that we would, it is not important enough?—A. The annual report to the annual conference of the F.A.O., the Food and Agricultural Organization, are public documents and most of those have considerable information

on the supply and requirement side. Again, the secretariat of this committee can obtain those from the Department of Agriculture. Doctor Barton, the Deputy Minister of Agriculture, is a member of the executive council of the organization.

Q. Have you any knowledge as to the gap existing between the claims and allocations in a per centage way?—A. I think it would be risky for me to try to give them from memory, but the deficiencies very commonly run anywhere from 25 to 40 per cent.

Q. 25 to 40 per cent shortages would appear to be the situation with regard to the bread grains in the world which are under observation by these statisticians?—A. I was speaking more generally when I mentioned the 25 to 40 per cent. I was thinking of the other commodities, oils and fats and rice, but rice, which is in one sense a bread grain is actually handled by a separate committee of the I.E.F.C. Oils and fats today are being allocated on a basis of about 70 to 75 per cent of stated requirements.

Q. Then leaving the first commodity you have listed I will turn to the subject of meats which again you list as being one of the most basic foods that are in short supply. What can you tell us about meat in order that its influence on the rise of prices may be assessed?—A. Meat is closely and strictly rationed in the United Kingdom and most of the western European countries. In many of the western European countries it is by no means certain that the consumer will even get his entitlement under the ration system and the per capita consumption of meat in all those countries is very substantially below that of pre-war.

Q. Then they do not draw a great deal from the United States although they may draw something from Canada is that right? I am speaking of helping out with their own meat production in those countries you have been describing?—A. We have been allocating all our meat supplies to the United Kingdom with the exception of certain types of prepared canned meat which we made available through UNRRA and post-UNRRA organizations. We also supplied a good deal of fish, canned fish, to UNRRA and post-UNRRA relief. I am not aware that we supplied any meat in carcass form or frozen form to western Europe since the immediate post-war period although I believe there have been occasions when, to meet emergencies, the British government has sent over emergency supplies of meat which may have included certain physical parcels of meat that originally came from Canada.

Q. Now would there be any substantial difference in influence between the situation with regard to meat and the processed dairy products?—A. May I just add that the western European countries get a great deal of meat from the South American producing countries, particularly Argentina, Uruguay, and Brazil. I should also add one more point and say that the problem of price and the international means of payment has lessened the economic demand for meats from North America by certain countries.

Q. In effect does it not mean we have not any considerable demand from European countries unless it is a demand which has to be satisfied on a credit purchase or as a gift?—A. That would be broadly true but by no means entirely true. Most of the European countries still have certain reserves upon which, in case of particular emergencies, they are prepared to draw.

Q. I see.—A. For a very high proportion of their imports they have to rely on advances of some kind or credit reserves.

Q. Now in connection with the matters of which you have just been speaking would you indicate the manner in which they have operated and have had an influence upon our own price structure and the rise in our prices?—A. In relation to those particular commodities that we have referred to up to now the Canadian price still remains a government controlled price in the sense that they are subject to long-term contracts at fixed prices. In Canada there is virtually no open market on purchasing by foreign countries of the commodities

we have been discussing up to now. The exception of course is wheat sold on a class 2 basis. That is wheat exported to countries other than the United Kingdom where the wheat board gets what is called a class 2 price.

Q. That has been cut out for the present, has it not?—A. I am not familiar with it if it has.

Q. Well yes, the wheat board put out an announcement or an order some little time back to the effect that there could not be any more class 2 wheat allowed on account of the shortage and for some months I think there has been no class 2 wheat sold.

Mr. HARKNESS: The class 2 price is still quoted every day in the paper.

By Mr. Maybank:

Q. Yes, it is still quoted in the paper but I saw an order, in fact I think it is a public document, and it is indicated that there can be no more wheat available for class 2 sales until there is more wheat grown.—A. I understand that flour is still being exported to class 2 countries and the Canadian mills pay class 2 prices for the wheat that goes into the flour for export to countries other than the United Kingdom.

Q. Well the secretariat could easily find out the amount of that and I suppose you would prefer that further information should be obtained from someone else without the need of burdening you?—A. Yes, I have a fair amount of general knowledge about a range of items and commodities but when you press me for detail I do not have it.

Q. Yes. Well, you go on to list a number of other commodities here which you referred to as being basic. It includes all the textile fibres and fabric being in short supply, wool, cotton, jute, and sisal.—A. Yes.

Q. Well would you trace the effect of those shortages, picking any one to start with?—A. Where there are reasonably free market conditions the effect of the shortage in relation to the demand takes the normal reflection in price, what I had in mind to say was that even at the very much higher prices prevailing today than were prevailing a year ago or two years ago in almost all of those commodities the flow of supply is quickly bought up and moved into consumption. There are some differences, of course, between those commodities. Wool relatively is in less short supply than is jute or sisal or even cotton.

Q. Do you mind me stopping you there just for a moment? It is in my mind that some little time ago the British government and the Australian government, together with a number of private capitalists formed an organization which I think was called Wool Distribution Limited, or something like that, and it was for the purpose of feeding onto the market wool, chiefly or I think entirely Australian. Now my recollection is that organization was formed with a view to keeping prices up. Have you any knowledge of that or is my recollection at fault?—A. The organization is commonly known as the Joint Organization and in this world of initials is often referred to as "J.O." and, J.O. had a very substantial quantity of wool which they took over at the cessation of hostilities and which they have been liquidating in, to use their own phrase, an orderly manner.

Q. That means to keep the price up, does it not?—A. It was to avoid dumping on the open market a very large supply of wool which had been set up in physical storage somewhere on this continent at a time when there was a real risk that the lines of communication between this continent and Australia might be cut. Early in 1942 we, in association with the British government and the American government, brought in enormous quantities of wool, physically, to this continent.

Q. Physically?—A. Physically, to this continent, and that was to a large extent maintained as a standing reserve. Our life-line to Australia never was

cut and supplies of wool kept coming physically. At the end of the war there was a considerable stock of wool, I cannot quote the figures but it was something on the order of a year and a half or two years supply and the J.O. was formed to liquidate that supply without demoralizing the markets. What has happened in effect is that the supply has been liquidated a good deal more rapidly and at much firmer prices—

Q. What was that last?—A. —at much firmer prices than I think the sponsors of the J.O. had thought was likely to happen and at the present time wool prices are definitely strong. They are not as strong in relation to pre-war prices as are cotton or jute or sisal.

Q. Well is your understanding that the supply has been completely liquidated, because, if it has not been completely liquidated, would we not have to make some qualification of the statement that wool is in short supply?—A. Well, as you know wool comes on the market at certain seasons of the year and it is customary in normal times in this country to have anywhere from eight to ten months supply of wool on hand. The same is true of the United States and other large consuming countries.

Q. That is the normal inventory?—A. The normal inventory would run from eight to ten months supply. I recall rather vividly when war broke out we were caught with only six months' supply and we consequently felt we were in a very tight position. One of our first jobs at that time was to organize prompt and emergency shipments of wool from Australia and build up to a reasonable and satisfactory level.

Q. I see. You are saying there that the normal thing is to have that amount of wool on hand, about an eight months supply; and that the wool comes on to the market at certain times of the year, spring and fall, I suppose?—A. It depends on the hemisphere, whether it is in the north or the south.

Q. Yes, and in the north it is our spring, and in the south it is our fall?—A. Yes.

Q. What about these clips; have they been smaller and consequently the supply has been tending to grow short?—A. I think I am getting a little beyond my range of recollection. The figures could be quite easily produced.

By Mr. Johnston:

Q. Could that supply be such as to affect prices? It would affect prices?—A. The distinction between orderly marketing and hoarding at times becomes a little fine.

Q. I suppose it would depend on who was doing the hoarding, would it not?—A. Again, I think you could make out a very good case, or that a case could be made out that it is not in the interests of either the producing country or the purchasing country to have demoralized prices by dumping the supply of wool on the market and then have a short supply and high prices later on. I would not like to argue the case either for or against. I should emphasize it is not the province of the private person or the private corporation, but rather it is a governmental responsibility.

Q. That would be the real distinction?—A. Yes.

By Mr. Maybank:

Q. There were probably individuals in it too, were there not?—A. My recollection is, and I speak subject to correction, that J.O. is fundamentally a governmental organization with advisory committees in consultation from the wool trade.

Q. My recollection has been that there is probably private capital in it and that the two governments—there are at least two governments there—

that physical control would be with them; but you think it is possible that private businessmen were more likely to be there just as advisory committees?—A. I have had no first-hand contact with the J.O. at all.

Q. I see.—A. I have seen a memorandum on it.

By Mr. Pinard:

Q. I would like to know what J.O. is and what countries comprise it. I think it includes New Zealand, Australia and Great Britain?—A. I think South Africa is in it too as they are producers of wool; but, of course, that is information which would have to be procured. I did not come prepared to discuss J.O. and I am not fully familiar with their operations.

By Mr. Maybank:

Q. I did not even know I was going to ask you about it until something you said came up and brought a recollection of that meeting into my own mind. Well, what about the price of wool? It being in short supply what about a rise?—A. I was just trying to find in Mr. Marshall's statement any reference to wool and I cannot at the moment lay my hands on it. I presume that Canadian wool production would be there but it is relatively a small amount.

Q. Yes, it is rather a small quantity relatively.—A. Raw wool, eastern bright—quarter blood—had a ceiling price of 31 cents—

The CHAIRMAN: You are referring to exhibit 1, what page?

The WITNESS: This is not exhibit 1. I have been supplied with a copy of the current bulletin which happens to quote that particular grade of wool. Then we took the ceiling off and the price moved up to 34 cents in October, it is now 35 cents—that was in the month of December, and that is the whole-sale price—and there has not been a big increase. My recollection is that pre-war it was about 15 cents.

By Mr. Maybank:

Q. I see. Well now, in any event whatever is the price of raw wool that is not the only component in a woollen garment. There are other cost components. We had, and are probably expecting further increases in woollen garments. Is that right? There are two questions there really. We have had an increase there?—A. I do not like to get too much into the role of prophet, Mr. Maybank.

Q. I just qualified that. I said there were two questions that I had put to you; then I said that I would simplify it to the one question. We have had a rise in prices. I will put it this way: as things now stand I do not see any reason to anticipate any significant or substantial increase in the price of wool in the next 6 months or a year.

Mr. MACINNIS: If you will turn to page 27 you will find some figures on that.

Mr. MAYBANK: Page 27 of exhibit 1?

The WITNESS: That is the wool crop is it not?

Mr. MACINNIS: Raw wool, worsted cloth yarn, wool blankets, carpets, woollen hosiery and knit goods, woollen cloth. The increase in price there has been substantial.

Mr. LESAGE: You said, raw wool?

Mr. MACINNIS: Yes, that is one of the items.

Mr. LESAGE: On page 21 you have the wool crop, and the increase there from December to January was 5.2.

THE WITNESS: On raw wool, yes; you are right, Mr. MacInnis. The increase in the two-year period has been 26 per cent. As I said a moment ago there was an increase from 31 cents to 35 cents for a particular type of Canadian wool. There are other elements in woollen outerwear, that is things like overcoats and men's suits—the main price increases there have been in linings; linings have been going up in price quite rapidly and are relatively very expensive—the linings, what are commonly called—

By Mr. Maybank:

Q. That means all the small things that go into the making of the garments, such as the buttons, the buckram lining—that is the material which goes into the collars and the lapels?—A. Yes. The linings are usually a mixture of rayon and cotton. There are different grades of lining, of course; and all these things have gone up in price; and I would not preclude some further advances in those prices in the next twelve months. Of course, it might not happen; but cessation of subsidy payments on imports of these materials, which took place in September, may not yet have worked its way through into the final process.

Q. I see.

By Mr. MacInnis:

Q. If you will turn to page 26 you will find there at the bottom of the page, fibres, textiles and textile products; and there is an increase shown there of 71·8?—A. There has been a tremendous increase in the jute market in Calcutta. That is the source of the jute and sisal, which are the main raw materials for an important part of the garment industry.

MR. MAYBANK: Mr. MacInnis just mentioned miscellaneous fibre products; I assume they are composed largely of jute and sisal.

MR. MACINNIS: And it includes cotton, I think.

MR. MAYBANK: I was not making that as a statement, just as a question.

THE WITNESS: I think you will find they are what we call coarse fibres; linen, jute, sisal, Manila hemp, African sisal, binder twine, Manila rope, and so on. I think you will find that it includes all fibre products other than cotton, wool and artificial silk.

MR. MAYBANK: That is what is included in the term "miscellaneous fibre products"; is that right?

THE WITNESS: Yes.

MR. MACINNIS: Would you allow me to ask a question which I think is germane at this point?

By Mr. MacInnis:

Q. We were dealing a moment ago with orderly marketing of wool. Is there some arrangement in the United States that provides for the orderly marketing of cotton on a somewhat similar basis?—A. They have a price support policy on it the same as they have for many other farm products over there. I am not aware of any governmental organization.

MR. MAYBANK: I wonder if Mr. MacInnis would mind my going back a little piece. I wonder if Mr. MacInnis meant a governmental organization like J.O. I thought that was, perhaps, what he had in mind.

MR. MACINNIS: I have the impression in my mind that I saw that somewhere.

MR. MAYBANK: I rather think that is just an organization for buying, standing at the side of the market and buying at appropriate times in the manner described in regard to something else.

The WITNESS: They have a price support organization. As I said before the only way you can support prices is to be ready to buy at a price.

Mr. MAYBANK: Yes.

The WITNESS: There is also a governmental regulation governing the export allocations of cotton; but, off hand, I am not aware of anything else at the present time.

By Mr. Maybank:

Q. The evidence we have had is of a number of shortages on woollen products in Canada itself; is that right? Quite aside from the basic thing being short—by looking at the British articles here there has been a shortage, a difficulty? A.—Quite apart from raw wool there is a shortage of both spinning and weaving and finishing capacity.

Q. That is what is called plant; is it; inadequate plant?—A. Yes; and in some countries which are the relatively important suppliers, shortage of labour to run at capacity, or to run second shifts.

Q. At the time that decontrol commenced was the situation with regard to these shortages worse or better than now, or has there yet been a change?—A. In the whole textile field there are a series of consecutive processes and as a layman, in that particular field I am very much aware of shifting bottlenecks. Every now and again we run into shortages of wool tops which is combed wool.

Q. Which?—A. Wool tops, which is combed wool out of which you make worsted yarns, as distinct from woollen yarns. Six months later your trouble may be with knitting yarns for underwear and hosiery purposes. Then you may come back three months after that with a renewed crisis in wool tops, or at a later stage it may become a bottleneck in the finishing capacity. That is the dyeing and finishing of either the yarn or cloth itself. The same is true in the cotton field. I do not want to leave wool but I might mention this same characteristic about cotton, that cotton is a very complex product. Cotton fabrics vary tremendously in their construction. Even the yarns out of which cotton fabrics are made can be single twist, double twist yarns, and we are always running into bottlenecks that keep shifting. You will have a shortage of a certain type of twist, and that means difficulty in denims for overalls. Perhaps that clears up, then we run into knitting yarns again for mixed cotton and wool underwear.

Q. Is there any indication of those troubles lessening or is there any change taking place at all?—A. I would say there is a steady over-all improvement in all these fields. To take a somewhat homely example I think any gentleman would agree with me that a year and a half ago it probably took you four to six months to get delivery of a suit from your own tailor.

Q. The delay is not as far back as that.—A. Even then your range of choice of patterns was very severely restricted. In many cases you might go to your tailor over several intervals of two or three weeks for several months before he would even book your order. I think you will find now that while the range of patterns is still restricted you can get delivery of a suit, if you will take the patterns that are available, in four to six weeks.

By Mr. Mayhew:

Q. Was the range of patterns restricted somewhat by order?

The CHAIRMAN: Would you speak up, Mr. Mayhew?

By Mr. Mayhew:

Q. The range of patterns was restricted, was it not, by order?—A. There is no restriction here in Canada now.

Q. There was?—A. Yes. We asked the woollen textile industry to run on a much more limited range of patterns so they would get out higher production because every time you change your pattern you have to take a certain number of hours or even days off to re-set your machines and get the thing going. If you run a great variety of patterns your total output of yardage per week or per month is reduced. Therefore during the war years, while we had no formal order out through the advisory committee of the trade we did reduce substantially the variety of patterns being produced.

By Mr. McCubbin:

Q. You have mentioned that suits took from three to six months to get, or longer. Why was it the price just doubled for a poorer quality of material?—A. From spring or early summer of 1945 until the winter of 1946 or spring of 1947 we were operating what we called a priority suit plan for returned servicemen. Every manufacturer and importer of suit cloths was required to set aside a very high percentage of his total supply to meet the priority certificates. As each man was demobilized he was given a priority certificate for one suit of clothes. From the retailer right back to the mill that made the cloth those certificates flowed back and at every stage they had to hold an inventory to meet those priority certificates. That whole system was dismantled, I think, in the spring of 1947, about a year ago. That was the prime reason why the ordinary civilian had great difficulty in fitting himself into the stream, so to speak, because so much of the stream was diverted to this priority plan. We even sent people over to England to buy up special blocks of suitings in England, and the British government gave us excellent co-operation in allocating to us special quantities of suitings for our priority certificate plan.

By Mr. Pinard:

Q. Would that account for the rise in prices?

By Mr. Lesage:

Q. Would that be a factor in the increase in prices?—A. It was not in Canada because we kept the ceiling price on all during the priority certificate plan.

By Mr. Johnston:

Q. Were you paying a subsidy then?—A. Yes.

By Mr. MacInnis:

Q. When did the ceiling come off?—A. My recollection is in April, 1947.

By Mr. Lesage:

Q. That is when the price went up here. What were the factors, if any, which warranted the increasing prices in clothes, especially men's suits?—A. It was the—

Q. Apart from the scarcity?—A. There was a rise in the cost of fabrics. Prior to April, 1947, we did reduce the amount of subsidies by one or two moderate steps, and then in April it came off entirely. At the same time we took the subsidy off imported yarns and imported tops out of which the Canadian fabric is made. I have not any figures before me, but I do not think there was any holding back of supplies of cloth at that time. The whole problem was to get the cloth out as quickly as possible.

Q. But if we take page 21 of the statistics—

The CHAIRMAN: Exhibit 1.

By Mr. Lesage:

Q. Wool cloth has gone up from 100 in December, 1945, to 123 in March, 1947, when the ceiling was taken off, and since April, 1947, it has gone up from 123·2 to 158·8 in January, 1948.—A. Again I speak subject to correction, but normally we import very close to two-thirds of our total usage of wool cloth. Only about one-third to 40 per cent is made in Canada. The rest comes predominantly from the United Kingdom, and there has been a substantial increase in English selling prices. In that column you will observe in April, 1946, there was an 8·2 per cent rise. That would be the partial removal of subsidies. Then the price remained unchanged until we removed a further subsidy at the end of January and then we decontrolled on April 15th, I think I may say that in January, 1947, we shifted over to something approaching a cost-plus basis on imports from what we describe as war-ravaged countries, but the increase since April will be very largely a reflection of the higher cost of imported cloths.

Q. What would be the other factors, if any?—A. There would be increased cost of production of Canadian cloth.

Q. Since May?—A. Because we also at the same time removed the subsidy on woollen yarns and wool tops. May I say that I find myself getting to the point where I think I have told you almost more than I know about some of these things, and if you want to go into the factors causing the increase here I have not any detailed knowledge even in my own files. I think you would have to call a competent wool man from the trade, either a manufacturer or importer, who could undoubtedly tell you all about it.

By Mr. Johnston:

Q. In January, 1947, you applied your decontrol, and in February the price had increased to 115·3. That would probably take care of your sudden decontrol policy in that regard.—A. Excuse me, Mr. Johnston. The increase from January until April reflects a shifting in the basis of subsidy. It is only the increase after April that reflects the complete removal of subsidy and the free market.

Q. Would you say the increase from 130·9 in April to 215·8 in January of 1948 was a normal increase and that there was no excess profit made in that period?

Mr. LESAGE: Pardon me—

The WITNESS: You have jumped a line. It is 158·8. That is the comparable figure.

By Mr. Johnston:

Q. Yes, 158·8. Do you consider that increase not due to excessive profits? In other words, would it be the average normal increase that would be expected?—A. It is a reflection of the increased cost of imports, and we have found no evidence in our current surveys of wool prices to lead us to believe that there was anything improper or excessive in those price increases.

May I repeat what I said yesterday? When we move into a decontrol period, there is a tendency for a general widening of margins. Under price control we put on what we thought was a fair degree of squeeze on both manufacturers' and distributors' margins. We had a good deal of rather bitter complaint from industry that we were being too tough on their margins and when the legal restriction was removed I said, on several occasions, there was a tendency for margins to widen here and there to the levels which, in relationship to normal margins and customs and practices of the trade, could not, in our judgment, be characterized as unreasonable or unjust.

Q. They would just be getting back to normal practices?—A. In many cases. I was saying there is a particular tendency to do that.

By Mr. Harkness:

Q. With the removal of your controlled prices a much greater element of risk entered into the thing which called for much greater margins?—A. Yes, because an individual in those businesses would know or would have good reason to believe that prices could not go below those levels. When they got into a free market situation, they were beginning to assume certain risks of inventory losses.

By Mr. Fleming:

Q. May I ask to what extent one other factor which you mentioned earlier in your brief entered into that situation? You indicated it was the over-all policy of the Wartime Prices and Trade Board to allow a producer or manufacturer to operate at a profit but, in certain lines you held a particular product below the cost of production so there would be no profit in it. What was the tendency with respect to the prices in the commodities that were being produced at a figure below cost when you removed your controls?—A. There was undoubtedly a tendency to bring those particular lines out of the red, to bring them back into a normal, profitable position.

Q. To what can you assess the weight of that factor in the over-all situation?—A. Those are considerations which are just not susceptible of measurement in my judgment. I do not say that if you put a corps of statisticians to work, they could not produce some kind of an estimate; but we have never attempted to do that. We are aware of the fact there has been an inching up of margins. There has been a bringing of lines that have been produced at a loss back into a normal profit position. Those factors have all been at work.

Now, in no case of that type do we feel that we can lay a criminal charge of unreasonable or unjust margins or price. Industry felt, rather vigorously, I think, during the war and, particularly after the war, that we were being far too tough in refusing to adjust loss lines. However, they did keep on producing. If they threatened to stop producing, we served orders on them to keep on producing because their over-all position was reasonably close to standard profits. We took standard profits as a rough rule of thumb as to whether or not we were being too tough.

By Mr. Maybank:

Q. Two or three questions arise out of some of these questions which have been asked. In the first place, you said about two-thirds of our fabric was imported and we were, consequently, dependent on foreign prices?—A. I do know that pre-war 60 per cent of our fabric was imported and 40 per cent made here—woollen fabric I am talking about.

Q. That was what you said came from the U.K., but it would be more than that for cotton fabrics?—A. In cotton fabrics we normally produce in Canada over 70 per cent of the yardage used in Canada.

Q. Yes, I was mixing the raw material and the fabric, there. Would that not mean that, in respect of all those garments, we would be dependent upon the foreign price? It was the foreign price, using England as an example of a foreign country although we do not always speak of England as being foreign, but for this purpose I suppose it is correct?—A. It is the external price.

Q. Yes, that is a better term, probably. That would be pretty well the determining factor, would it not, in the cost here, or the major determining factor?—A. Yes, the price of woollen fabrics in Canada is normally set by the cost of imported fabrics.

By Mr. Winters:

Q. Do our domestic fabrics sell at the same price as the imported fabrics?—A. Well, in wool you get such a variety of fabrics it is often difficult to compare or to get two strictly comparable fabrics.

Q. They would tend towards the external price, would they not?—A. Yes, normally speaking, the Canadian price, where the bulk of supply comes from abroad, is the laid down duty paid cost of those imports and the Canadian manufacturer has to meet that competition.

Q. Or enjoy that price, whichever it happens to be?

By Mr. Irvine:

Q. Referring to the tendency to increase profit margins, you are referring now to the clothing industry only?—A. Oh no, I would make that an almost universal statement.

Q. That is due largely to imports?—A. No, what I was saying, Mr. Irvine, was that under price control we did put a measure of squeeze or roll-back on the margins. When we removed those controls those margins tended to go back to what I described in my opening statement as their natural shape.

In some cases, we may have fixed wholesalers' margins at $12\frac{1}{2}$ per cent. We have found cases where they have gone back to 15, $15\frac{1}{2}$ or 16 per cent. If you go back to pre-war or pre-control times, you will probably find they were taking 15 or 16 per cent. My point was that we cannot regard that increase of $12\frac{1}{2}$ per cent to, say, 15 per cent as being unreasonable or unjust in, what I describe, as a criminal sense.

Q. Yet, there was not a very great percentage of bankruptcies during the squeeze period?—A. No.

By Mr. Johnston:

Q. You were offering a subsidy during that squeeze period?—A. The subsidy does not come into it because whatever the cost was there were certain margins. I do not want to get into the position of either attacking or defending any group or class but I do think I should point out that during the war years there were almost no bad debts. There were almost no bargain sales or mark-downs. That was our logical justification for cutting margins. We said to industry, in effect, "You have almost nothing in the way of bad debts to take care of; you have no post-season mark-downs of out of style items or very little of that". For those and a variety of reasons we felt we could put this measure of squeeze on the margins of gross profit.

Since the war, you are getting back into a position where you do see the occasional January sale; the year end bargain sales are beginning to come back. You never saw them from 1941 to 1946.

By Mr. Winters:

Q. Would it not be wrong then, Mr. Chairman, to attach too much weight to the fact there were no bankruptcies or very few bankruptcies even though margins of profit were small?—A. I mentioned those factors as items of expense which were very greatly reduced—

Q. They operated under very abnormal conditions?—A. —and, finally, the volume went up substantially in almost all lines of business except those restricted by government order.

By Mr. McCubbin:

Q. We are a committee trying to investigate the cause of this rise in prices. If there is one thing which contributed to it, it was the cost of clothing. A

working man, whether he is a factory worker or a farmer, has to have one piece of clothing and that is overalls or smocks. He uses them. In 1940, you could buy a pair of overalls for \$1.50 to \$1.75, but today, and I can show you bills, they cost \$6.00. Somebody is making a profit. Something is wrong there, and I do not understand it.—A. I would suggest, Mr. McCubbin, those are probably rather extreme cases. I do not think there is any table here for overalls, as such, but as I said in my opening statement, we are on a basis of raw cotton prices which are almost exactly four times the pre-war. $8\frac{1}{2}$ to 9 cents was the pre-war price of raw cotton and 33 to 34 cents was the price when I prepared my statement. It had dipped down a bit in the last few days. I believe 31 cents was the last figure I saw quoted in the *New York Times* the day before yesterday.

I suggest you cannot have quadrupling in price of the basic material without having a pretty substantial effect on the price of the finished article. Obviously a quadrupling in the price of raw cotton should not quadruple the price of the finished article, because there are a great many items of cost which have not quadrupled, which have not even doubled, in that process. That again is a question which you should direct to somebody in the industry, as to what their price of overalls really is and produce their price list or produce their invoices to establish the basis of the price. Then, I am sure you can ask them to demonstrate what their costs have been at various periods of time.

Q. I will agree with that. The point I am trying to make is that clothing is one of the things which was causing the high cost of living?—A. Yes, in the breakdown Mr. Marshall gave you it was quite clear the biggest increase in the elements of the cost of living index was first, food and secondly, clothing.

By Mr. Pinard:

Q. It was 2.4 for men's wear?—A. Taking the index as a whole, the general index was 80 per cent above pre-war; clothing came second at 61 per cent above pre-war; then, house furnishings which will include a lot of textiles, were 58 per cent above pre-war. Then, you get down to the miscellaneous, fuel, light and rent which were about 20 per cent above pre-war.

By Mr. Maybank:

Q. Now, Mr. Taylor, in regard to these overalls, I saw these increases recently, where the Commodity Prices Stabilization Board was paying the subsidy which would equate the imported figure down to what was considered a proper price, and they were permitted to sell at about \$31.00 a dozen. Without the subsidy the permitted price by the board was about \$42.00, so it would appear that right there is some measurement of the effect of the external prices upon our internal prices?

Mr. LESAGE: There is something wrong, Mr. Maybank, we cannot hear.

By Mr. Maybank:

Q. At any rate, it has been perfectly clear from a number of things you have said when Mr. Irvine was dealing with this subject yesterday, that the removal of subsidies has had an effect in the raising of prices?—A. A very substantial effect.

Q. You say so categorically in your brief. Now I would like to ask some questions on the general matter of subsidies. Can you state in round figures the total subsidies we were paying?

The CHAIRMAN: Has he not said he could not give that information?

By Mr. Maybank:

Q. He could not give it in detail but you would have in mind some idea of the total subsidies paid out?—A. There was a return made to the House

near the end of the last session but I regret that I did not put it in my folder. My recollection is the total subsidy bill of the government, all departments of the government, at its peak was running \$200,000,000 a year.

Q. Well, Mr. Taylor, in your consideration of subsidies and in any advising you did regarding subsidies did you ever translate that figure into taxes?—A. I do not quite understand the purport of the question.

Q. Well, \$200,000,000 a year has to come from taxes.—A. Quite.

Q. And in order to keep up controls without any change it was costing in the neighbourhood of \$200,000,000 a year altogether for all the administrative costs you had. Did you ever think of that in terms of what it meant in the way of taxes?—A. Well it meant \$200,000,000, I presume.

Mr. JOHNSTON: The cost was the same in either event.

By Mr. Maybank:

Q. I was really thinking of income tax when I said that. However, it is a matter of simple arithmetic.—A. Yes, you can equate that \$200,000,000 with X per cent of the income tax, or Y per cent of the income tax, or whatever figure you like.

By the Chairman:

Q. Would this be a fair question to follow up Mr. Maybank's question, or perhaps he is following it up, but you have the figure \$200,000,000—I was under the impression it was higher but you know much better than I do—but if you were to maintain the old ceilings you would have to increase the amount of the subsidy way beyond the \$200,000,000?—A. I will give you an example.

Q. Is that right?—A. Yes. In raw cotton, our base down to which we subsidized raw cotton under the price ceiling was about 11½ cents. We carried that right through the war years and then in early 1946 we raised the base by approximately 4 cents to 15½ cents. At that time the American cotton prices were about 19 and what we did in effect was to remove half the subsidy. Had the American price of raw cotton stayed at 19 we could have taken one more bite of a similar size and we would have been out, but, we had hardly reduced the subsidy that 4 cents before the American market started to move up, and before very long it was 25 and 26 cents. We held the subsidy down to a 15½ cent base for the greater part of the year. Then in the spring of 1947, at which time raw cotton prices were up to the high 30's, 37 and 38 cents, we raised our base by roughly 9 cents to 24. In other words we subsidized down from whatever the American market price was to 24 cents and of course there was a consequential increase in all cotton materials as a result. Then in June or July, 1947, we made certain further adjustments, as a consequence of which we raised the base to 27¼ cents. Then on September 15 we decontrolled.

Mr. MAYBANK: Any increases since that time would have made it more.

The WITNESS: No; when we decontrolled, cotton was around 36 cents and last week it was 33 or 34. I think it is around about 31 as of the day before yesterday.

Mr. IRVINE: May I interject one question here?

The WITNESS: May I just finish my sentence, Mr. Irvine?

Mr. IRVINE: Yes.

The WITNESS: Had we held prices in Canada to a base of 11½ cents instead of paying 8 cents a pound subsidy, as we did throughout most of the war, we would have been paying as high as 26 or 27 cents for the subsidy throughout half of 1946 and the greater part of 1947, and we use a great many tens of millions of pounds of raw cotton.

By Mr. Irvine:

Q. My question is that it may be presumed by paying subsidies the benefits would accrue to the general consumer. Therefore if through extra costs caused by importing raw materials which enter into our manufacture at higher prices, a still greater subsidy would be required, that must in turn reflect a greater saving to the consumer compared to the increase of prices which now maintains when the subsidies are gone?—A. I think it would be generally agreed and stated that the subsidy system paid for out of taxes is a form or has obvious aspects of redistribution of wealth or income.

By Mr. Fleming:

Q. May I interject a question? Has the board made any calculations as to what the cost of the subsidies would have been if, through the agency of subsidies, an attempt had been made to hold prices at the 1946 level? Has any calculation been made as to that?—A. No.

Q. Has any calculation been made on any specific commodity?—A. It would not be very difficult to do so but I have never made any and I have never asked any to be made. We are fairly busy over there still.

By the Chairman:

Q. If you had increased subsidies, as you said you would have had to do to maintain the old ceilings, what would have been the effect of such a step on production?—A. If we had increased subsidies to maintain the former ceiling?

Q. Yes. First of all you said if you had tried to maintain the old ceiling you would have had to increase the subsidy payments. Now my question is what would have been the effect of that step on production?—A. The effect on production flows largely from the multiplicity of the regulations and controls which you have to administer as part of your general system of price ceilings. You get deeply involved in production directives and in directing manufacturers as to what lines they shall produce. There is a natural tendency to produce goods which enure to the long run benefit of the producer in terms of profit. We had a very complicated system of directives all through the textile industry to ensure that the lines which yielded lower net profits were produced in adequate volume. Conditions were changing so continuously that it required a policy of eternal vigilance to keep the supply of goods coming on the market to meet the requirements at those fixed prices. It would be more in the field of the consequential results of price fixing and production directing, with the hampering and restrictive effects on industry that the effect would be most noticeable.

By Mr. Harkness:

Q. The effect would be much more marked on goods and commodities which we produce in Canada than on commodities such as cotton which we have to import entirely, would it not?—A. Yes, though even in the cotton field we import comparatively little of what the consumer buys. What we import is raw cotton, cotton yarns, and tremendous yardage of fabrics. Apart from a modest quantity of piece goods and that sort of thing, the consumer purchases the finished wearing apparel, household furnishings, and that sort of thing. The consumer also purchases rubber tires which by weight are of heavy cotton content.

Q. In respect to the question put by Mr. Martin as to the effect of those subsidies on production of those various cotton goods, as long as the subsidy was on cotton, and even whether it was not, it would not make a great deal of difference, whereas for an article made out of a commodity we produced in this country, we will say from grain, the removal of a subsidy or its continuation

might make a big difference in production? The farmer might consider it profitable or not profitable to grow grain.—A. Yes, relevant to that there is one point that I have not mentioned at all which was much in our minds. It is that on the heavily subsidized articles the trade generally was fully aware of the subsidy. The trade generally was fully aware of the level of external prices. The trade was just as conscious as we were of the high improbability of the external price coming down to our subsidy level. In other words the trade was conscious of the fact that prices almost had to go up as we approached closer to the estimated dates of decontrol. After all the trade all knew that up until a few weeks ago our powers would expire on March 31, 1948, and they could figure out pretty well the more likely dates of decontrol. You were, therefore, up against a tendency to hold back supplies. Now we did give a great deal of attention to some of those problems of industry in the textile field and I am quite sure there were pockets in industry we never smoked out. I do not think the condition was widespread or amounted to enormous figures but there are thousands of persons engaged in the cutting trades, and the needle trades, and I would be very surprised if you could examine the books of the Archangel and not find there were a good many pockets of stuff tucked away in anticipation of price increases. I do not think that had a marked or substantial effect on the clothes supply, but we were always sure that in the case of large sections of the trade, the larger units of the trade, we got pretty good inventory figures.

By Mr. Maybank:

Q. It seems clear from what you have said that you cannot have subsidies without having also full control over the system?—A. This is the general tenor of my argument, yes.

Q. Would you make that as a categorical statement?—A. But we have to bear in mind that we had to serve a great many directives to force out such excessive inventories as we discovered. Then, of course, we had a gap between Canadian controlled prices and what would obviously be the free market price. When decontrol came near application, we had to keep supplies moving; that applied, as I said yesterday afternoon, right across the board. It would apply just as much to the farmer as it did to the manufacturer or the merchant; and I am not passing any moral judgment on it.

Mr. MAYHEW: You get into a very wide subject when you get into that question of bridging the gap between controlled prices and free market prices. One of the difficulties with which you are faced is to prevent export smuggling, even with a decontrol on the export price.

The WITNESS: Where do you differentiate between the control price in Canada and the external price. Of course, the more the increase in the external price the tougher your policing job under controls becomes, quite apart from the granting of formal applications for exporters. We had to allow a certain amount of exports because we have a responsibility to Newfoundland and the West Indies. We had to arrange for them to receive supplies and of course had to use a certain amount of discretion. At first, there was a certain amount of smuggling—

Mr. MAYBANK: Smuggling out?

The WITNESS: Smuggling out; just as people found instances of 30 or 40 boxes of butter buried in a load of hay about to be taken across the boundary; and we have had cases where our customs people have found in cars of some other commodities goods buried in the middle of a car; or there might be cases where you would find bales of cotton concealed in the middle of a car, or things of that sort.

By Mr. Fleming:

Q. Might I just ask one question there? You said a moment ago that in your opinion you could not have a system of subsidies without a system of controls. Does your answer apply to consumer subsidies as well as to producer subsidies, or do you draw any distinction there for that purpose?—A. I would say it applied very generally. There are certain kinds of subsidies I mentioned in my first appearance before the committee, there is the straight subsidy for example on feed grain, that is one which we can administer and be reasonably sure of the benefit of that subsidy accruing where it was intended, because of the structure of freight rates, the known market price of feed grains in the west, and so on. But, generally speaking, I do not think you could have subsidies without price controls, that would apply pretty well across the board.

By Mr. Beaudry:

Q. With reference to the previous question, has any attempt been made to determine what increase in subsidies it might have meant, as between the normal period of subsidy payment and the present period? Would it not be plausible to think that in view of the increase of production and the increase of consumer demand, and in view of the fact that you are directly dependent on world price—would not the present trend of world prices make it plausible to believe that the amount of the subsidy could have been doubled or trebled?—A. I used the words “enormous increase” in my opening statement. It would not be too difficult if you want to make a series of arbitrary assumptions to figure out what it would cost to maintain a certain subsidy—let us take cotton as an example—to maintain the base period price of 11.5 cents in relation to the current market price. All you would have to do would be to multiply the volume by the differential in price to find out what it would cost you to maintain cotton at the base period price of 11.5 cents in Canada.

Mr. MAYHEW: That would be something of the order of \$200,000,000?

The WITNESS: Yes. Mr. Irvine correctly pointed out, \$200,000,000, for a four-year period; that would be of the order of \$800,000,000 in the four years. The prices board subsidies as such did not get higher than \$100,000,000 in any one year.

By Mr. Beaudry:

Q. Has there been any estimate, or is it possible to make any estimate, as to what subsidies based on consumer demand might have meant, in percentage figures, as against the consumption of consumer goods subsidized during the war?—A. Well, we have made no estimates of that kind. I said a moment ago that we are very busy in our office and we have not taken time off to make these somewhat hypothetical estimates as to what might have happened or what could have happened. They would not be too difficult to build up, if we are prepared to make certain rather broad assumptions.

Q. Would they, in your opinion, and with your experience, represent a substantial increase?—A. In subsidies?

Q. No, in consumer demand, say on the basis of present production and supply or consumer demand?—A. I think that is an almost impossible question to answer. There are so many variables in consumer demand. The obvious factor that if incomes remain relatively stationary; if prices go up and demand tends to ease off. So much of the demand in the last two years, particularly has been of the nature of deferred replacements—well, that is not surprising, because during the war the government deliberately, as a matter of policy, withdrew a large part of the wool textile industry into making uniforms; and the same

thing applied in large measure to the cotton industry in Canada, the production of uniforms for our allies; and from the summer of 1945 there has been an emergence to the market of a considerable volume of demand for replacement and so on.

Mr. HARKNESS: I think it should be pointed out while we are on the cost of subsidies, that the farmers of this country, apart from anything paid out of taxes, have subsidized the consumer very materially because of the prices they were held down to for their produce. For instance, wheat was kept down to a very low level. Wheat was going into flour at 77 cents a bushel when the price otherwise would have been very much greater than that. The very same thing applies to other commodities.

The WITNESS: May I observe that the farmer got \$1.55 for all of that wheat?

Mr. HARKNESS: No, he did not.

Mr. MAYBANK: No, there was a time when he got \$1.25.

Mr. HARKNESS: He only got 77 cents for wheat when it went into the domestic market.

The WITNESS: It did not go that low; 77½ cents was the minimum cash price for wheat on the open market. That was for wheat in the basic period, the price of flour was based on 77½ cent wheat—now, I do not recall the exact dates, but shortly after that the government established an effective 90 cent price, then a \$1.25 price and finally \$1.35 and \$1.55. Now, so long as we had a price ceiling on flour the millers were supplied with wheat by the Wheat Board at 77½ cents. The farmer got \$1.55, and got that \$1.55 through the Department of Finance. What I mean by that is this, that the difference between the 77½ cents and the established price was paid by the Department of Finance.

Mr. MAYBANK: Are you not mistaken there? Over a period of time were not the farmers getting two prices? This is aside from the inquiry I was following. But did they not get two different prices; \$1.25, part of which came from the miller and part from the Minister of Finance, as you have said; that is for the domestic wheat market; and \$1.55 which went outside? Is not that the picture as it was until a short time ago? Not so long ago it was raised to \$1.55 bringing the domestic price up in line with the export price? Is that not right?

Mr. HARKNESS: Yes, I think so.

The WITNESS: Well, broadly speaking, wheat sold in the domestic market for domestic consumption nets the farmer the same price as wheat sold to the United Kingdom.

Mr. MAYBANK: You may be right, and certainly you would be more likely to be right than I would.

The WITNESS: No, not necessarily so.

Mr. MAYBANK: I was just going by the *Winnipeg Free Press*.

The WITNESS: So far as the prices board was concerned, all that we were concerned with was the 77½ cost. The difference in the price paid was made up, as I said, by payments authorized by the Minister of Finance, not the prices board.

The CHAIRMAN: Gentlemen, I wonder if I might interrupt for a moment. There is a question which now arises with respect to evidence we are to hear. A message has just been given to me which necessitates my leaving the committee for a few moments. There is a group now waiting to see me in connection with some matters, and that projects the necessity of having a meeting of the steering committee some time today. Is it going to be convenient for the steering committee to meet?

Mr. JOHNSTON: Could we adjourn now?

The CHAIRMAN: They are not ready yet.

Mr. JOHNSTON: Well then, when they are ready.

The CHAIRMAN: It will be some time later in the day. There are some problems which have to be attended to first. I was just wondering if members of the steering committee would all be available today.

Mr. MACINNIS: That would depend on what time you want them. If you are going to have the main committee sit at 4 o'clock it will not be possible to hold a meeting of the steering committee at the same time. You could have whichever one you want.

The CHAIRMAN: We could not very well have them both sitting.

Mr. MAYBANK: I thought the steering committee were to go on at 4 o'clock today?

Mr. JOHNSTON: I think perhaps we should adjourn. We certainly have a lot of work to do in our own offices.

The CHAIRMAN: I was going to suggest that the steering committee meet tonight.

Mr. FLEMING: Mr. Chairman, I hardly think we could expect the steering committee, who have been giving so much of their time, to be able to attend a sitting of the main committee this afternoon and to hold a meeting of their own tonight, because we have such a volume of other work to do. I was going to suggest that we cancel the sitting of the main committee this afternoon and hold a session of the steering committee at your convenience some time today.

The CHAIRMAN: Well, I am in the hands of the committee. I just do not know what the result of the meeting I am going to attend now will be, but I am almost certain that it will mean a meeting of the steering committee some time today. I suggest that I go to this meeting and I shall ask the vice-chairman to take the chair, and if I can get word back before 1 o'clock I shall try to do so. That is about all I can say at this stage, and as to what happens for the rest of the day I shall have to leave it to the members of the committee.

Mr. BEAUDRY: If there is a possibility that we might sit both this afternoon and this evening, either as a whole committee or as a steering committee, would it not be possible to adjourn now so that we can attend to some of our personal business?

The CHAIRMAN: I do not think we should adjourn now. I think we ought to carry on. We are going to have an awful lot of work ahead of us. We might as well recognize that. If I seem to be a little severe I am severe on myself as well as on others because I do not think any one has a preemption on the obligations of work. I know how difficult it is for everyone but I do not know what else to do.

Mr. LESAGE: Might it not be better that the steering committee meet at 4 o'clock to decide what we are going to do on Monday?

The CHAIRMAN: The difficulty is that I do not know whether what I am now going to do will be completed by 4 o'clock. That is my difficulty.

Mr. MAYBANK: There is other steering committee work.

The CHAIRMAN: I suggest that you carry on until 1 o'clock and see what happens between now and 1.

Mr. MACINNIS: We can get notice before 4 o'clock.

The CHAIRMAN: Yes.

Mr. Ralph Maybank, Vice-Chairman, took the chair.

The VICE-CHAIRMAN: Gentlemen, before we took that excursion into wheat we were talking about subsidies. I wanted to ask Mr. Taylor if he knows anything about the English, Australian, New Zealand situation respecting subsidies. There has been a great deal of news lately indicating that as far as Great Britain is concerned they are having greater and greater difficulty with their subsidy program and, indeed, in some quarters it is suggested it is breaking down. Can you give us any comments upon that?

Hon. Mr. MARTIN: Before I go I want to be sure that there will be no question but that there will be a meeting of the steering committee some time today. We will try to arrange it for 4 o'clock if that can be worked out. Mr. Fleming has mentioned something else to me. There is no doubt we have to meet, and I should like the members of the steering committee to bear that in mind.

The VICE-CHAIRMAN: That comes to this, that some members of this committee will have a meeting at 4 o'clock. If this committee decides not to have a full meeting then the steering committee will stand on notice until they are called for 4 o'clock.

Hon. Mr. MARTIN: That is right.

The VICE-CHAIRMAN: I think I know which group it will be but it is all right.

Mr. IRVINE: I was going to suggest that if the question you have just asked has the significance that I think it may have it might be better for us to get the direct facts about it from the British government in some way or other.

Mr. LESAGE: Speak louder. You have a good voice.

Mr. IRVINE: I think that none of us are trying to advocate that a subsidy in itself can be a cure for anything particularly. It is an instrument which we find it advisable to use at times. If that instrument is breaking down in Great Britain or anywhere else in carrying out a temporary purpose I think we ought to know it. If our witness happens to know the actual facts so much the better, but if he does not I suggest we get it directly from the authorities concerned.

The VICE-CHAIRMAN: Mr. Irvine, I am in a rather embarrassing position. If I were sitting over there and the chairman were here I would be urging that my question was in order.

Mr. IRVINE: I am not saying it is not in order, oh no.

The VICE-CHAIRMAN: What you say is possibly quite right, that there may be a better source of information, and the fact I have asked the question does not stop this committee or any member of it from adding to whatever this witness can give.

Mr. MACINNIS: If you will pardon me, there is one other aspect of it, the propriety of the witness discussing the matter. Of course, he will be the judge of that.

Mr. LESAGE: Mr. Chairman, we would appreciate it very much if members of the committee when putting questions or talking to the chair would speak louder and avoid turning their heads.

The VICE-CHAIRMAN: I will translate the last remark for you. Mr. MacInnis was remarking that there might be some question of the propriety of this witness answering the question I had asked. I think you got Mr. Irvine's remark before that.

Mr. LESAGE: On that very question I think it is quite proper to ask this witness if he knows what is going on elsewhere as to the effect of subsidies on prices in other countries, how the system of subsidies is put into effect and to what extent it works.

Mr. WINTERS: I think it is important. We have information on the price indexes. I think we should certainly have information on the factors which are going into those price indexes in other countries.

Mr. PINARD: Certainly the Wartime Prices and Trade Board must be keeping informed as to the situation in other countries in order to establish its own policy.

The VICE-CHAIRMAN: If Mr. Taylor has difficulty in some respects arising out of the sort of thing that has been mentioned, naturally he will express it and be guided by any feeling of diffidence which he has. Would you go ahead, Mr. Taylor?

The WITNESS: Well, I would start by saying that my sole source of information about subsidies in other countries is derived from published sources, statements that I have read in the newspapers of ministers in other countries, reports in reputable journals as to facts and figures, and I have also read on occasion the text of the United Kingdom *Hansard* debates. I cannot discuss in any detail the method of subsidy payments or details of subsidies. It is a matter of public record that the British subsidies at the present time are running at a rate of something over 400,000,000 pounds sterling a year. You multiply that by approximately four if you want to convert that into Canadian dollars. It was stated by the preceding Chancellor of the Exchequer and by the present Chancellor of the Exchequer that government policy in the United Kingdom would be to hold the total net subsidy payments to their present limit.

By Mr. Lesage:

Q. Did they say why?—A. If I wanted to say why I would want to quote the exact words. It would be rather improper for me to try to paraphrase out of hand what I am sure was a very carefully prepared statement by the United Kingdom Chancellor of the Exchequer. The so-called ceiling on subsidies is approximately 400,000,000 pounds.

By Mr. Pinard:

Q. Is it the highest at the present time they have ever had?—A. Yes, I think that is true. I have here the British government's official white paper on national income and expenditure presented to parliament in April, 1947, which gives in round millions the size of the subsidy bill for the preceding nine years. It started at 14,000,000 pounds in 1938. It rose to 164,000,000 pounds by 1942, and was 337,000,000 pounds in the fiscal year ending March 31—wait a minute—337,000 pounds in 1946.

By Mr. Winters:

Q. At what date in 1946? Would that be for the year 1945?—A. That is why I had to stop to correct myself. I am not sure whether it is calendar year or fiscal year ending March 31, which makes quite a difference. It would appear that the year is calendar year. It is 337,000,000 pounds.

By Mr. Pinard:

Q. That is 1945?—A. 1946.

By Mr. Winters:

Q. For the year 1945, for the calendar year 1945?—A. I would say it would appear to be that because they do not say what the year is, and therefore

I am in some doubt myself. I then have a figure which I quote from the London *Economist* of May, 1947, which I can only assume is an accurate summation of the government accounts. They give the total food subsidies as recorded in the civil estimates for the year ending March 31, 1948, as 391,000,000 pounds, and other subsidies, chiefly clothing, which raise the grand total to 425,000,000 pounds.

Q. It seems there is some pretty significant information there. On page 14 of our statistics the British index in December, 1945, is shown at 158 for retail prices and in November, 1947, at 163, an increase of 5 points in the cost of living index, and an increase of subsidy of approximately 60,000,000 pounds—
—A. What page?

Q. Page 14—or very roughly, about 12,000,000 pounds a point. So we can relate that on an interpolation basis to get some estimate of what our subsidy might be had it been continued.—A. Excuse me; could you pause for a moment? It has been drawn to my attention that the figure given on page 14 for the U.K. is, as the footnote indicates, based on an article in the London Cambridge Economic Service. I should not like to express any views as to the propriety of that particular figure as distinct from certain other official figures.

The trouble with interpreting English figures is that they completely discontinued their old cost-of-living index last June and started off a brand new one. The government itself has never put out an official splicing of the two indexes. The figure given on page 14 is an estimate by what is normally regarded as a very competent scientific body but should not be taken as the British government's official statement of what the index is.

By Mr. Irvine:

Q. Is the amount expended by any country at any time in subsidies the criterion of its value? Would not the measure of its value be more accurately estimated if, upon the expenditure of whatever amount, the purpose of the administration concerned is achieved and if that purpose is a wise one?

The VICE-CHAIRMAN: Just before you answer that question you will recall the witness was going ahead with a factual statement when he was asked for an interpretation. I am not suggesting that the question—

Mr. IRVINE: We will leave it until later.

The VICE-CHAIRMAN: It will break the continuity of the statement. Mr. Winters, I believe your question has been answered?

Mr. WINTERS: I should like to ask one supplementary question.

The VICE-CHAIRMAN: The breaking in and asking of questions might be permitted for the sake of clarity when the witness is making a statement. Do you understand the difference?

By Mr. Winters:

Q. The point I should like to make is that, in the statement Mr. Taylor tabled, he said the only subsidies being paid were on tin, fats and oils?—A. The only subsidies being paid by the prices board are on fats and oils.

Q. Could you say, on the rate being paid now, what the annual amount of the subsidy on these products would be?—A. That, Mr. Winters, is literally an impossible question to answer because we buy our fats and oils as best we can, with the best bargaining we can and at as low a price as we can. Then, we allocate those fats and oils to the manufacturers of soap and shortening and other commodities at a price appropriate to the ceiling price. At the moment it would be a fair statement to say there is no world price for the principal fats and oils. It is the most confused picture you can imagine. You can buy the same quality and grade of oil for 23 cents or 33 cents, depending upon from what country you are buying.

By Mr. Pinard:

Q. You cannot give the gross figure?—A. No, all I can do is produce the figure as to what they have cost us. It would be literally impossible to make even a wild guess as to what they might cost us in the coming year if we held the present ceilings, if we raised the ceilings 3 cents or if we do something else.

By Mr. Winters:

Q. Of what order would they be, \$1,000,000, \$3,000,000 or \$10,000,000; just roughly?—A. I would hazard a guess if we were to hold the soap and shortening prices at their present level, and with the best judgment we can form as to what we will be paying for the remainder of 1948 supplies of oil, I would say \$10,000,000 or \$12,000,000.

I read Canadian *Hansard* from time to time, and I am aware there is a certain danger in making estimates.

The VICE-CHAIRMAN: Had you finished your discussion of the English subsidy picture when Mr. Winters broke in?

The WITNESS: I just want to make two or three other observations. Several official statements have been made by Sir Stafford Cripps and by Mr. Strachey, the Minister of Food, in announcing certain price increases in the United Kingdom. The main reason for them was that they had to stay within certain subsidy limits.

They have, for example, within the last six or eight weeks, raised the price of sugar by tuppence a pound or 4 cents. Their prevailing retail prices were about 6 cents a pound up until mid-December. These prices have been raised to 9 or 10 cents a pound, depending upon whether you buy in chain stores or independent stores.

By Mr. Winters:

Q. Could you express an opinion or do you know why Mr. Cripps made that statement?—A. No, I would not. I must confine myself, in answering these questions, to statements of recorded facts without trying to interpret why this was done or even trying to quote the reasons then given in any detail because government statements, as all of you know, are prepared with some care and the exact wording has significance.

After the conclusion of the recent contract on bacon, the British government, according to press reports, has officially announced an increase of 13 cents a pound on bacon prices.

By the Vice-Chairman:

Q. What had it been?—A. I do not know whether there would be any further increase but I dug into my files in the intermission yesterday afternoon, Mr. Chairman, and I find that in March, 1947, according to the official U.K. information office the price of bacon in England was 41 cents a pound. This is a bulletin prepared for North American use and, therefore, they put it into cents rather than shillings and pence. If that is the figure which was prevailing until the end of December, and if the statement is correct, as I believe it is, that they have raised it by 13 cents, it would be 54 cents.

By Mr. Mayhew:

Q. What was our last increase?—A. We raised the price of our Wiltshire sides from 29 cents to 36 cents, that is a rise of 7 cents. They have raised the retail price of bacon sold to the consumer 13 cents. The press despatch at the time stated that that was because of the increase in the Canadian price plus a modest reduction in the subsidy.

One other thing, just to conclude that point. The only other item of which I have been made aware in the press despatches is, after a recent adjustment in egg prices they have raised the price of shell eggs by 22 cents a dozen. In March, 1947, they quote a price of 40 cents. I should warn the committee that eggs have a very marked seasonal variation and I would, therefore, not draw the conclusion that eggs are necessarily 62 cents now. I do not know what they are, but they did raise the price by 22 cents within the last few weeks.

By Mr. Fleming:

Q. What is the date of that?—A. This is a U.K. information office bulletin, which many of you probably get, for May, 1947, in which they quote the English retail prices in cents per pound for a considerable number of foods.

Q. That is eight months old and all the prices quoted are before the re-negotiation of the food contracts with Britain?—A. Yes, that is the point I was making, Mr. Fleming. We know from the statements of British policy and by the behaviour of the British index they were holding these prices pretty rigidly. I think it is a pretty fair presumption, except in the case of eggs that the prices prevailing in May 1947 were still prevailing in November 1947, but since then they have announced an increased of 4 cents a pound on sugar, 13 cents a pound on bacon and 22 cents a dozen on fresh shell eggs.

By Mr. Pinard:

Q. Would it be fair, Mr. Taylor, to ask you to make some comment as to why, in spite of subsidy payments increasing gradually in Great Britain, the cost of living does not stop rising? Just make general comments on that?—A. I made the point a moment ago, Mr. Pinard, that those three increases I mentioned have all taken place since the last United Kingdom index given in the reference book, that is for November 1947. I would expect those prices to be reflected in the index for January when that becomes available.

Q. But it is still a fact there has been no decrease in prices of commodities in Great Britain since the end of the war?—A. I do not know. Again, according to the papers, the British have at times, in order to hold the over-all index steady, actually reduced some prices while they raised others. I recall that they raised the price of coal but I also recall they reduced the price of other things. The British index has been unquestionably the most steady and unvarying of any country in the world right from the spring of 1941 to November 1947. There has been a variation or fluctuation of between 128 and 131, I think it is, on the basis of their own base of August 1939.

Q. And from December, 1945 to November, 1947 there is still an increase from 158 to 163. I find that at page 14?—A. Yes, that you see is an increase of about 3 per cent. It is 5 points on 158 which would be very close to 3 per cent. I have here the official index and the official index had a base of July 1914 so it is a little hard to perhaps carry in your mind the shift over. Their index from 1941 to 1946 never went below 199 and never went above 203. That is a variation of 4 points or 2 per cent in seven years. Now as I said a moment ago the British government had realized, just before the outbreak of war, that their cost-of-living index was very much out of date. It was based on a pre-1914 way of living or pattern of consumption and the British government had intended, just as we intended, to revise that base but, because of the exigencies of war and the dispersion of the government offices by bombing raids and so on, they were unable to do as we did. We transferred from a 1926 base to a 1939 base in 1940. The British had to delay that transfer until after the war. In June, 1947 they ceased publishing the old index and brought out a new index based on the price prevailing in June 1947 and since that time the index on that new basis in October, which is the last figure I have, was 101. It was up 1 per cent since the

previous June. The British government has not provided an official splicing of the two indexes. I understand the figure quoted by Mr. Marshall is a splice of the two done by the London School of Economics Service, which is very reliable but is not official.

Q. Can you say what has been the increase in subsidy payments in Britain from December 1945 to November 1947 from the tables you had a moment ago?—A. Yes, in the year 1945 the subsidies are recorded as £250,000,000. That figure is taken from the British government white paper. The London Economist, working on civilian estimates of parliament have put it at £425,000,000 for the year ending March 31, 1948.

Q. In other words in spite of the fact subsidy payments were practically doubled the cost of living still went up from 158 to 163?—A. Well I think I have got to the point, Mr. Chairman, where I must really decline to interpret the figures. The figures speak for themselves.

Mr. IRVINE: Now if the witness is clear on that comment, he might answer a question I asked a moment ago which he has no doubt forgotten but which I shall repeat. Is it not so that the amount expended in subsidies is not in itself a criterion of its value? But the questions of great importance are these: Does the amount expended enable the government concerned to achieve the purposes it has in mind; and, is that purpose a worthy one?

The WITNESS: I can hardly answer your question, Mr. Irvine.

The VICE-CHAIRMAN: Just before you do may I say that, apparently, no person beyond perhaps Mr. MacInnis and myself, has heard you.

Mr. MACINNIS: They are saying it is a matter of opinion.

The VICE-CHAIRMAN: I thought the members at the far end were speaking to me; I thought they did not hear the question.

Mr. IRVINE: He said it was a matter of opinion, Mr. Chairman. As I said a moment ago, here is an instrument which we have used and which other countries have used.

The VICE-CHAIRMAN: I was not raising that point.

Mr. IRVINE: No, I know; but I want to make my point clear.

The VICE-CHAIRMAN: Mr. MacInnis was only reporting a private conversation between himself and another gentleman there, so we do not need it.

Mr. IRVINE: I will make it clear anyway: any person who is acquainted with the use of this instrument ought to be able to say what is the measure of its value; whether the actual amount that is expended in the use of it or the benefits attained from it are to be the criterion of its value.

The VICE-CHAIRMAN: Well, do you not think it is a question, however, not for a witness who comes in to give factual material, but rather that it is a question for the legislator himself?

Mr. IRVINE: I will come back to our country and the question can be answered here.

The VICE-CHAIRMAN: Excuse me, I did not mean to rule that question out of order. It was a query to you asking you whether or not that would not be a proper description of it. I did not want to rule against the point. Do not take that out of my remarks.

Mr. IRVINE: I will rephrase my question. I will put it this way. The witness has already admitted that subsidies have been of assistance in distributing the national wealth.

The VICE-CHAIRMAN: Yes, he made that statement.

Mr. IRVINE: I asked him further in addition to that benefit, have the subsidies in Canada not also prevented merchandising costs from pyramiding and resulting in greater charges to the consumer?

The WITNESS: Subsidies in the first place are obviously an instrument of national policy, in the same sense that tariffs are an instrument of national policy; and there is the methods of taxation. Also a matter of national policy—that is very obvious. Now, in the application of this particular instrument there is a considerable degree of art—I do not like to use the word “science”—and the experience of the board shows that a considerable value of the subsidy can be wasted if it is not applied at the right spot, the right point, in the channel of distribution and of production. There is no question that subsidies applied at the right point do result in consumer savings which can be considerably greater in value than the amount of the subsidy. I do not think that has ever been seriously questioned. Mr. Gordon, I think I said before, made that pretty clear; and I think that was made pretty clear also in the debates in the House. Now, the use of subsidies, therefore, is a matter of government policy in relation to circumstances which change from time to time. We at the prices board have publicly expressed our views that subsidies can achieve certain things, that they are useful under certain circumstances. It has always been our view, and we have so stated publicly, that subsidies require price controls and a large degree of related controls. As I said before, efficient price control, the fixing of prices, is just the beginning of your problem; that the fixing of prices is just the first step. You have got to have a great range of controls which must buttress and support your fixed prices; and if it is government policy in any country to move towards a system of what we call a free economy—and I trust that too will be recognized in the proper sense in which I use it—it is not to be confused with a word which sounds somewhat the same.

By Mr. Pinard:

Q. When you use the expression “free economy” it might be confused with other expressions, what does it mean?—A. Oh, there are three or four of them. Then, when a government in any country moves in that direction we have always held the view that you must get out of subsidies and price control in as orderly and as smooth a manner as you can make that transition. I am never too sure whether I am here as a civil servant or as chairman of the Wartime Prices and Trade Board, which is not quite the same thing in strict law, or as an economist, but I would not like to be expressing a categorical view that a planned economy is completely incompatible with a free economy. I have said in my opening statement that so far, looking around the world, no country has yet invented an adequate substitute for what I call the free price system that would at the same time maintain what I call a free society or free economy.

The VICE-CHAIRMAN: Just a moment before asking any questions, gentlemen. There are only a few minutes left. Mr. Fleming has a question to raise relating to something being referred to the steering committee, and we have to decide with reference to the meeting at 4 o'clock this afternoon. I thought that, perhaps, you had some questions but you cannot get both matters in before 1 o'clock.

The WITNESS: May I say something bearing on what you have just said?

The VICE-CHAIRMAN: Yes.

The WITNESS: I am, of course, before the committee. The committee has power to compel my attendance here. It would be a source of very great embarrassment to me if I had to carry on beyond today. Today is Friday. I had made a very complicated series of plans to be out of town for three days next week. I have also a feeling, and it is a purely personal one, that the committee has got out of me almost everything I can be very helpful on until perhaps a later stage. I am of course, at the command of the committee, but unless it is going to upset completely the program of the committee I feel I have to ask that proceedings to be handled in such a way that I will not have to be here either

Monday, Tuesday, Wednesday, or Thursday morning of next week. They are all out of town arrangements, and they are a rather complicated series of engagements made some considerable time ago.

The VICE-CHAIRMAN: I think all that can be taken into account by the steering committee, and I have no doubt that it will be resolved satisfactorily. Mr. Fleming, what is it that you want?

Mr. FLEMING: There are a couple of matters I should like to raise now in view of the fact there is going to be a meeting of the steering committee later today, so that the committee if it sees fit—it probably will—may refer them before the steering committee. I spoke to the chairman of the committee about this before he retired. He asked me to bring it up before the committee rose at 1 o'clock.

The first thing is that yesterday there was issued the annual report of the Governor of the Bank of Canada in which a number of questions are discussed, questions of leading importance to this committee within the scope of its reference. I would ask that we call Mr. Towers as a witness before the committee.

The second thing is this. The Minister of Labour recently made a statement—I think it was in the last few days—in which he intimated that there is profiteering going on. I have got the newspaper here. It is dated January 27. It is a Canadian press despatch of the 26th in which the Minister of Labour says:

"Today profiteers more than anything else threaten the system of free enterprise in Canada and the rest of the world, and in this country the government intends to deal with them as they should be dealt with."

Then he goes on to speak about people taking quick profits under the present circumstances. I would urge that the committee call the Minister of Labour so that we may get the benefit of all information at his disposal on the subject of profiteering.

Mr. LESAGE: Why not Jean François Pouliot?

Mr. FLEMING: And anybody else who has information on the subject. I think we want to get it as soon as possible.

The VICE-CHAIRMAN: Your point is that both these matters should be referred to the steering committee. You have expressed your view.

Mr. MACINNIS: I think these matters should be taken up first with the steering committee, and if the steering committee refuses to make a recommendation to ask these people to come here then it should be taken up by the whole committee. I do not think we should be taking time on it now.

The VICE-CHAIRMAN: I suppose you will not criticize Mr. Fleming very much for only two minutes.

Mr. MACINNIS: I will want them both. I will let it drop at that if you will let me have the two minutes.

The VICE-CHAIRMAN: What about meeting at 4 o'clock?

Mr. MACINNIS: Let me ask Mr. Taylor two questions in case he does not come back.

The VICE-CHAIRMAN: We want to settle the one point about the meeting this afternoon—the other matter apart from what Mr. Fleming had to bring up that we have got to settle.

Mr. FLEMING: Was that not to be left to the discretion of the chair?

The VICE-CHAIRMAN: Do not leave it to the discretion of the chair. You gentlemen decide for yourselves.

Mr. IRVINE: We cannot meet in two places at the same time and Mr. Martin said that they must have a steering committee meeting.

The VICE-CHAIRMAN: I think myself the decision is dictated to us. Do I hear a motion on it? Shall we sit at 4 o'clock?

Mr. MAYHEW: I move that the steering committee meet at 4 o'clock.

The VICE-CHAIRMAN: You move that this committee shall not meet at 4 o'clock.

Mr. MAYHEW: Yes.

Mr. IRVINE: I second that.

The VICE-CHAIRMAN: It is regularly moved and seconded that the committee shall not meet at 4 o'clock.

Mr. JOHNSTON: Before you carry that motion I understood Mr. Martin to say he was not sure whether or not the steering committee would be called as a result of this meeting he is having now, but in case that was not done then of course the main committee would meet and that in any event he himself as chairman would notify the members as to whether it was going to be a meeting of the main committee or of the steering committee at 4 o'clock.

Mr. MACINNIS: The committee has taken it out of Mr. Martin's hands in any case.

The VICE-CHAIRMAN: He remarked with reference to all these matters that naturally the committee had everything in its own hands. Later on he said that a meeting of the steering committee certainly would be necessary today, and we will have that committee stand by for 4 o'clock, no doubt, but the motion is in order.

Mr. FLEMING: May I make a suggestion which I hope will be acceptable? Until we have heard from Mr. Martin as to the result of the conference he is having at the present time, and especially in view of the fact Professor Taylor is available today and may not be here Monday, we may be able to adjourn now to meet at the call of the chair. If it is found, as a result of Mr. Martin's present conference, we ought to meet this afternoon and, perhaps, not meet Monday morning, we could leave it to him to decide since he will be in consultation with the members of the steering committee in the meantime. I think we ought to leave it a little elastic until Mr. Martin is in a position to report on his conference.

Mr. BEAUDRY: Mr. Martin seemed to indicate very definitely he expected the steering committee to meet at four o'clock.

The VICE-CHAIRMAN: That is my own belief. I do not think the 4 o'clock meeting of this committee is feasible, in the light of the way things stand.

At any rate, you have a motion which is to the effect that the 4 o'clock meeting of this committee be cancelled. The motion is in order. I do not know of anything to do other than to put it.

Mr. FLEMING: I move we adjourn to meet at the call of the chair and that still might mean a meeting this afternoon.

The VICE-CHAIRMAN: That is an amendment to the motion, so we will put the amendment first. You have heard the amendment. All those in favour please signify? Those opposed?

The amendment was lost.

You have heard the main motion. All those in favour? Those opposed? Carried.

Now, gentlemen, the members of the steering committee are to stand by ready for a call.

The committee adjourned at 1.03 p.m.

u. Doc
en
on

Canada: Prices.

SESSION 1947-48
HOUSE OF COMMONS

SPECIAL COMMITTEE
ON
PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

NO. 4

MONDAY, FEBRUARY 16, 1948

WITNESS:

Mr. F. A. McGregor, Commissioner, Combines Investigation Act.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



MINUTES OF PROCEEDINGS

MONDAY, February 16, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members Present: Messrs. Beaudry, Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

The Chairman presented the Second Report of the Steering Committee, as follows:

"Your Steering Committee begs leave to present its *Second Report*.

Your Committee recommends:

1. That Mr. F. A. McGregor, Commissioner, Combines Investigation Act, be the first witness to be called this day.

2. That Mr. Graham Towers, Governor of the Bank of Canada, be advised to stand in readiness to appear before the Committee, if possible after the examination of Mr. McGregor has been concluded.

3. That the Committee's inquiry into specific commodities be initiated on Thursday, February 19, in the following order:

(a) Bread.

(b) Butter or vegetables in the order to be determined at a later date.

(c) Meat.

4. That Mr. J. R. Baldwin of the Privy Council Office, be authorized to proceed immediately with the organization and location of the necessary secretarial and clerical staff to assist Counsel and Accountants, and to perform such other related duties as may be required during the Committee's inquiry.

5. That Mr. Henry King be engaged as Special Assistant to act as liaison between the Committee and its Secretariat, and assist in guidance of the research and compiling work assigned to such Secretariat.

6. That the Committee retain the services of Mr. J. R. M. Wilson, Accountant, of Toronto.

7. That approval be given to the forwarding of a questionnaire relative to butter in storage, such questionnaire to be drafted by the Dominion Statistician, Mr. Marshall, in consultation with the Chairman, and to apply to the period extending from January 1, 1947, to the present date.

8. Your Steering Committee has given further consideration to the question of organizing the sittings of the Committee in such manner as, in its opinion, will contribute to facilitate and expedite the proceedings. It is felt that the members require some additional time to peruse the evidence and to compile a great deal of information bearing on each specific subject-matter of inquiry.

With this in mind, your Steering Committee recommends that the schedule of sittings agreed to on February 11 be revised to read as follows:—

MONDAYS, TUESDAYS AND THURSDAYS:

2 sittings: 11.00 a.m. to 1.00 p.m. and 4.00 p.m. to 6.00 p.m.

WEDNESDAYS:

1 sitting: 4.00 p.m. to 6.00 p.m.

FRIDAYS:

1 sitting: 11.00 a.m. to 1.00 p.m.

All of which is respectfully submitted.”

The Chairman informed the Committee that a further meeting of the Steering Committee had been held this morning, at which the following conclusions had been arrived at, viz:

1. That Mr. Towers, having made prior arrangements to be absent from Ottawa on Tuesday, his appearance before the Committee be deferred.

2. That Mr. George Christiansen, of Toronto, be called for 11.00 a.m. tomorrow, February 17, and that representatives of wholesale dealers in fruits and vegetables be so informed.

3. That in respect of the questionnaire referred to in recommendation No. 7 of the Steering Committee's Second Report, the clerk forward a telegram to the larger companies requesting immediate information as to total amount of butter owned by them as of December 31 last.

The above reports were agreed to.

On motion of Mr. Maybank,

Resolved,—That the Clerk be authorized to call any witness required by Counsel to the Committee, provided that in each case the provisions of Standing Order 67(1) have been complied with.

Mr. F. A. McGregor, Commissioner, Combines Investigation Act, was called and sworn. He read a statement and was examined.

At 1.00 p.m. the Committee adjourned until 4.00 p.m.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., Hon. Mr. Martin presiding.

Members present: Messrs. Beaudry, Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Examination of Mr. McGregor was continued.

At 6.05 p.m. witness retired and the Committee adjourned until tomorrow, Tuesday, February 17, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

FEBRUARY 16, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Order. I am sorry, gentlemen, that we are a little late but the steering committee had another meeting this morning to deal with matters of importance that have arisen since our meeting on Friday. The first item before us this morning I think is my report to you on the steering committee meeting held on Friday last. That report is as follows: Your steering committee recommends that Mr. Graham Towers, Governor of the Bank of Canada, be advised to stand in readiness to appear before the committee, if possible after the examination of Mr. McGregor has been concluded.

I should report with regard to that item that Mr. Towers has advised the clerk of the committee that an engagement of an important character would make it difficult for him to appear before the committee on Tuesday or Wednesday of this week and so, at this morning's meeting of the steering committee, it was agreed, subject to the full committee's approval, that Mr. Towers' appearance would be arranged at a later date.

Agreed.

The next item of importance decided on Friday by the steering committee was that the full committee's inquiry into specific commodities be initiated on Thursday, February 19th with bread first on the order. Recognition was given to the suggestion that the order of priority would be butter or vegetables in the order to be determined at a later date. Then comes meat. With regard to the proceedings on Thursday, subpoenas have been issued already and counsel who for the first time is before the committee advises that he has personally been in touch with some of the parties who will be called in connection with our inquiry into bread on Thursday.

The next item was that Mr. J. R. Baldwin of the Privy Council office who has been acting in conjunction with the secretariat, be authorized to proceed immediately with the organization and location of the necessary secretarial and clerical staff to assist counsel and accountants, and to perform such other relative duties as may be required during the committee's inquiry.

Agreed.

That Mr. Henry King, who has been engaged as special assistant, act as liaison between the committee and its secretariat and assist in guidance of the research and compiling work assigned to such secretariat.

Agreed.

It was pointed out that Mr. Walter Gordon who had been engaged by the committee in the capacity of accountant will find it difficult to be here throughout as he has an engagement which will take him to Brazil at the end of this month, and the steering committee does approve that Mr. J. R. M. Wilson, of the same firm, be engaged to assist the committee in its work.

Agreed.

Now with regard to the formula being sent out by the Bureau of Statistics in connection with the information the committee desires with regard to the accumulated stocks of butter, I wish to report that the steering committee met again this morning with Mr. Marshall and that the questionnaire is being prepared and steps to get the desired information are under way.

Now at the meeting of the committee this morning attention was called to the charges that have been made by Mr. George Christiansen, who is the National Food Director of the Retailers' Association of Canada, against the wholesale dealers in fruits and vegetables. In view of the serious character of those charges as revealed in the press of last week, the steering committee recommends to the full committee that Mr. Christiansen be called to this committee immediately, and efforts will be made to contact him at once. It was felt, however, by the steering committee that at the same time opportunity should be given to the association charged by Mr. Christiansen for immediate rebuttal. The committee will have to reserve to itself, it is recommended, the decision as to whether or not it continues with fruits and vegetables. That will depend upon the character of what is alleged by Mr. Christiansen and also upon the state of preparation of the secretariat to furnish the full committee with the necessary information. Your committee wishes counsel to call Mr. Christiansen and the association mentioned in his charges, and if that meets with your approval it will be done forthwith.

Mr. BEAUDRY: May I suggest counsel also concern himself with disclosing or arriving at some means of disclosing the situation in Montreal should it be similar to that mentioned by Mr. Christiansen as prevailing in Toronto.

The CHAIRMAN: Counsel will make a note of that.

Mr. LESAGE: Are we to understand these gentlemen may be called from now until Thursday.

The CHAIRMAN: We may decide to do so but as I say we will have to make that decision only after we have heard Mr. Christiansen and we have taken definite steps to start a definite inquiry into bread on Thursday. The committee, however, is always the master of its own operations; but I do not think it can make a decision until after tomorrow.

Agreed.

This morning we have Mr. F. A. McGregor, whom we had decided to call on behalf of the Combines Investigation Commission and I would ask that the witness be sworn.

Mr. MAYBANK: While the witness is being sworn there is a motion which I have in the nature of a formality. Section 67, or rather standing order 67, part 1, indicates that we cannot call a witness until a member of the committee has filed a certificate with the chairman and thereafter I presume that instructions are given bit by bit to the clerk. That will slow matters up and I therefore move, seconded by Mr. Merritt—and this motion has already been mentioned in the steering committee—that the clerk be authorized to call any witness required by counsel of the committee provided that in each case the provisions of standing order 67 are complied with. One of us would complete the certificate required and if Mr. Dyde says that he would like such and such a witness Mr. Arsenault by reason of this motion may go ahead and call him.

The CHAIRMAN: What is your wish with regard to this motion?

Mr. IRVINE: What does "witness" mean, does that mean a particular witness in the case before the committee or does it mean initiating a new case?

Mr. MAYBANK: The Section says no witness can be called, that is subpoenaed, unless some member of the committee signs a certificate and files it with the chairman saying that in his opinion we ought to call so and so whom he believes

would have such and such evidence. That is a formality, or it may be more than a formality; but it has to be complied with or Mr. Arsenault would not be able to call a witness without further authority. This is the authority that counsel would require and it saves the committee in advance from declaring each minute step.

The CHAIRMAN: Mr. Irvine, the clerk certainly would not call any witness without the steering committee having so recommended and the full committee approved that he do so.

Mr. MAYBANK: Yes, counsel is still under the direction of the committee.

Agreed.

The CHAIRMAN: We will now hear Mr. McGregor.

Mr. F. A. McGregor, Commissioner, Combines Investigation Act, sworn:

By the Chairman:

Q. Mr. McGregor you might, for the purpose of the record give us your title and post?—A. I am Commissioner of the Combines Investigation Act.

The CHAIRMAN: I believe Mr. McGregor has a statement, copies of which have been distributed to members of the committee, and following the giving of the statement I understand he will be available for interrogation.

Mr. DYDE: Mr. Chairman, I understand that the procedure so far with respect to witnesses of the same class as Mr. McGregor has been that they have been permitted pretty well to go through their statement without very considerable interruption. I am not suggesting to the committee what they should do; I am just suggesting that possibly the plan is a good one and that Mr. McGregor might be asked by myself or others to amplify his statement. I assume that is a satisfactory method for us to follow.

The CHAIRMAN: That is the practice we have been following.

The WITNESS: Mr. Chairman, and honourable members of the committee:

1. One of the major functions of the Combines Investigation Act is to assist in safeguarding Canadian consumers against unjustified price increases and unjustifiably high prices. The part which this statute can play in preventing excessive prices is, however, not always clearly understood. It may serve a useful purpose to indicate in this statement what the Act is and what it is not, what it can and cannot do, what is being done under the Act and how it is done.

I

2. In dealing with the problem of high prices the Combines Investigation Act does not provide the direct approach to which we became accustomed in the war years. It seeks rather to maintain what might be termed indirect control, or control by competition. Under our wartime price legislation the freedom of individual sellers to decide their own prices was sharply curtailed. It had to be, because we were living in a period of serious shortages. Under such conditions competition was not the appropriate public safeguard. If competition had had free play it would have been competition amongst multitudes of buyers bidding for limited supplies, and the effect would have been a bidding up of prices.

3. Since the war ended we have been shifting, as price ceilings have been lifted, from an economy of direct control to one in which indirect or competitive control is the dominant feature. Instead of thousands of specific wartime orders

fixing definite limits on prices and supplies, we rely in peacetime on laws that permit more freedom but establish certain broad principles of reasonability within which business must operate.

4. One very important principle established by the Combines Investigation Act is that the public safeguard of competition must not be unduly interfered with by persons engaged in industry and trade. Exceptions exist, of course, where other measures of public protection have been authorized by the state. But in the Combines Act parliament has recognized competition as so essential a public safeguard that it has made it a criminal offence for any group of businessmen to enter into an agreement that lessens competition if that agreement operates or is likely to operate to the detriment of the public, whether consumers, producers or others. The primary purpose of the legislation is, therefore, to thwart every attempt on the part of business groups to deprive the public of its right to reasonably free competitive conditions. I am referring, of course, to price competition, as the essential element of a competitive system. Ours is basically a competitive economy, and our task is to assist in keeping competition operative in those fields in which it can and should operate, and in restoring it to working order where there is any unwarranted interference with it.

5. The Combines Investigation Act confers no authority on the administering agency to fix prices, even maximum prices, or to decide that prices or profits in a particular case are excessive, or to issue directives requiring immediate price reductions. It does not impose any responsibility to determine whether increased prices bear a proper relationship to increases in costs, or whether individual sellers have made unreasonable profits in the sale of their goods. As its title indicates, the Combines Investigation Act provides for investigation of alleged combines, for the finding of facts. It also provides for the publication of the facts, and for prosecution in the courts if the facts disclose that the public has suffered from the acts of a combination or monopoly.

6. Throughout the war years concerted action on the part of producers and distributors was encouraged rather than discouraged by government agencies, and quite properly. Under a direct control system, quicker and more effective action can be secured if the one controlling agency can deal with a single organization representing a whole section of a trade or industry rather than with a multitude of independent units. These groups played an important and highly useful part in the wartime control of their respective industries; but the last word, the ultimate control, lay not with them but with government. We may well be concerned, however, lest the restrictionist philosophy which is inherent in these emergency controls should motivate such strongly organized groups to certain types of action that are not at all appropriate to a system of competitive enterprise. Perhaps it is only natural to expect that some industries might be tempted, once the state discontinues the fixing of maximum prices in the public interest, to substitute fixing of minimum prices in their own interest. Perhaps I should add, though, that few of the cases I have had to deal with recently had their origin in the war period; in most of them attempts at so-called "self-government of industry" had been made even in the pre-war years.

III

7. Limitations on competitive activity may take many forms. Private restrictions carrying the possibilities of public detriment may evolve out of the following situations:—

- (a) Where competitors agree to restrain competition, fix prices and quotas, restrict entry to the industry or otherwise restrain trade. This class is embraced in the definition of combination in the Combines Investigation Act.

- (b) Common prices resulting from the price leadership of a dominant firm in an industry or the disinclination of producers to depart from the announced prices and terms of other producers. This situation may be accentuated by group pressure to secure maintenance of resale prices or common discounts among distributors.
- (c) Where competitors are brought under the financial control of a single corporation or a limited number of corporations.
- (d) Where a firm has a local or national monopoly according to the extent of the market.
- (e) Where restrictive arrangements are imposed through exclusive patent or trade mark rights.
- (f) International cartels.

8. Price Agreements—In dealing with the first type of case, agreements to fix prices and otherwise restrict competition, the Combines Investigation Act has been reasonably effective. It will be more so as investigation activity increases and as businessmen become more aware of the principles and application of the legislation.

9. One rather wide-spread misconception appears to be that only the fixing of "unreasonable" prices is condemned by the legislation, and that only when prices can be shown to be clearly unreasonable has an offence been committed. This misconception rests on the attractive but misleading concept that actual cost plus a fair profit equals a reasonable price. Such an approach would lead into a morass of questions, largely unanswerable, as to whose costs should be considered and for what period, under what conditions of material supply or market demand, at what level of production and taking into account what elements of cost. Even if such questions could be answered it still would not settle the issue, since it is impossible to say what the level of costs, profits or prices might have been if there had been competitive pressure at work to keep them down. Judicial interpretations of the law make it clear that the test is not the reasonableness or unreasonableness of the prices fixed by an agreement. The test of the courts is rather the extent to which the agreement lessens competition or is designed to lessen it. Mr. Justice Hope's statement of the law in *Rex v. Container Materials Limited et al* is typical:—

The duty to inquire into and regulate prices which may change from day to day need not be imposed on the court but rather the court's endeavour should be to seek out the real agreement and to determine whether it interferes with the free course of trade . . .

10. Another common misconception is that an agreement is contrary to the Act only if of a formal nature, replete with specific enforcement devices involving coercive action against those who breach it. This overlooks the fact that the agreement may be informal, "tacit", or inferred from some types of uniform action, and that an agreement which all observe without being forced to do so may be fully as effective, if not more effective, in suppressing competition than one involving penalty clauses, boycotts, or other similar enforcement weapons.

11. Price leadership comes within the second category. It is far more difficult to deal with than price agreements. Price leadership is a practice found normally in industries in which the sellers are few. The results, common prices and elimination of competition, may be the same as if common prices were established by agreement. Unless, however, express agreement may be shown to have brought about or materially facilitated the uniformity of price, or unless, and this is a difficult task, "tacit" agreement may be legally inferred from uniform action, or unless the firm that takes the lead has operated monopolistically to the detriment of the public by directly or indirectly forcing others

to follow its lead, the practice cannot be directly challenged under the Combines Investigation Act. One indirect approach which is very much in our minds is the possibility of encouraging competition from outside the country by recommending tariff reductions, under Section 29 of the Act, if competition within the country is not providing the public with the protection to which it is entitled.

12. Resale price maintenance is a practice which might come within either the first or second category. The establishment of wholesale or retail prices by the manufacturer of a particular product may seem relatively unimportant in itself, but when it becomes the common practice for manufacturers and distributors in a particular field to follow a policy of resale price maintenance, whole segments of wholesale and retail trade are insulated from the competitive incentive. No longer is the more efficient merchant permitted to pass on to the consumer the economies which he can secure in distribution. He must observe the same resale price as all other merchants handling the same product. The adoption of such a practice in any wide measure leads to the development of group pressure to secure its more general acceptance, so that protection from competition in price may be further extended. It means the elimination of price competition amongst dealers in a particular product. As the practice extends it means also that the dealer is becoming a selling agent for the manufacturer rather than a purchasing agent for the community.

13. When the policy of resale price maintenance is extended to the most essential food products, bread for example, there is occasion for even more serious concern. It is generally known that the practice has been involved in some of our recent inquiries. It arises in connection with complaints that large baking corporations, some of them controlled by flour milling companies and operating in several cities, have been requiring dealers to sell bread in the stores at the same price as the bakers sell it from their wagons. A definite requirement of this sort, with the understanding that supplies of bread will be withheld if the dealer does not conform, is pretty certain to induce conformity. But even where maintenance of the resale prices is only recommended or strongly suggested (in some instances the selling price is stamped on the wrapper) the dealers are likely to comply. They may comply gladly because of the high and more or less guaranteed margins. In several important centres apparently they are complying. In many parts of Canada it has been customary for retail stores to handle bread on a margin of 1 cent or less. On a fast-moving and largely self-service form of purchase, one would expect a relatively low margin. Under a policy of resale price maintenance it is alleged that retail grocers are seeking, and in a number of localities are securing, margins of 20 per cent on the retail price of bread established by large baking companies. The result is a margin in excess of 2 cents per loaf and in some instances approximately 3 cents per loaf. The higher margins result when the retailer is given a volume discount in addition to the trade margin.

14. Some chain stores are now selling bread under their own labels at prices 3 and 4 cents below the bakers' delivered price. Some of them bake their own bread; others depend on the large bakeries for their supplies. If those who bake their own are selling bread below cost, as a loss leader, there is an element of unfairness. I have no current information on this subject; I do know, however, that the Prices Board examined one firm's costs in the early war years, when complaints of selling below cost were made, and was satisfied that it was not selling bread below cost or at cost. The chain stores that do not bake their own bread are selling their private brands at the same price as their competitors who bake their own. Mostly they buy from the large baking companies, and at a cost which enables them to sell at a profit. Unfortunately other non-chain retailers are generally unable to buy from the same sources at such low prices, perhaps because of lower volume buying, and are unable therefore to compete

with the chains at these low prices. They may prefer, of course, to sell the better advertised brands at the established prices because they yield better margins.

15. Such high margins suggest the desirability in such circumstances of the restoration of more active price competition at the retail level. Even in the absence of agreement, two factors may prevent competition once resale price maintenance is well established. One would be the unwillingness of large suppliers, acting individually but still following the same practice as their competitors in fixing resale prices, to continue to supply a retailer who sold below the prevailing level. The other would be the trade pressure which, when supported by the manufacturer's policy, would make any retailer reluctant to adopt a selling policy at variance with his associates in the trade.

16. Under a policy of resale price maintenance it becomes a question for the dealers, not what they can get in a competitive market, but what they can induce the manufacturer to guarantee them. And when the pressure on manufacturers is well organized it can become very effective, even to the point of inducing manufacturers to compete with each other for the goodwill of the dealers by offering better and better margins. Better and better margins usually mean, of course, higher and higher prices.

17. On the more general aspects of resale price maintenance policy, attempts have been made in some provinces to secure legislative sanction for resale prices fixed by an individual manufacturer. Legislation of a similar type has been adopted in a number of American states as a result of the organized efforts of trade groups. Such legislation has been questioned by many qualified persons and agencies because of its effects in limiting competition and restricting the consumer's right to the benefits of more efficient methods of distribution.

18. One cannot deal with the problem of resale price maintenance without recognizing that some manufacturers may have some justification in seeking to protect the prestige of their product by maintaining some supervision over the conditions under which it is sold to the public. The protection of goodwill, however, may often be the cultivation of the dealer so that he will push the manufacturer's product rather than the maintenance of prestige in the mind of the public. One can understand also the motive of dealers who are genuine in their desire to remove the evil of predatory price-cutting and that alone. The motive of most dealers, however, who are pressing for resale price maintenance seems to be not only to eliminate such forms of unfair competition but all price competition in the particular products. If this is not their motive it would seem to be the effect of their proposals. In seeking by means of private trade sanctions to prevent the occurrence of predatory price-cutting, the dealers deprive the public of the safeguard of reasonable price competition at the distributive level. Experience in other countries tends to show that the adoption of this form of private price control leads to further demands for the control over new entrants to the trade so that the advantage may not be dissipated by having to be shared with others who are attracted by the guaranteed margins.

19. The avoidance of price competition, of which price leadership and resale price maintenance are important aspects, is admittedly one of the most difficult to deal with in public policy. Investigations on a more comprehensive scale may indicate the possible application of existing remedies where serious restraint is established. Publicity itself is a very effective weapon when circumstances justify its use. Fuller examination may also lead to more effective public safeguards being devised and applied. The work of this parliamentary committee should contribute to that objective.

20. Mergers.—The third situation, that of merger or financial control, is also one of considerable difficulty. In the first place, there is a lack of adequate

information on the extent of amalgamations in recent years, the motives leading to them and their economic effects. Amalgamations may occur as much for financial reasons (the promotion of the sale of securities, et cetera) as on technological grounds, or for the purpose of eliminating competition. The Combines Investigation Commission has been compiling information already made public on corporate mergers and acquisitions, but many of such developments are not made public until long after the event. The analysis is not yet in complete form. More complete statistical measurement of the merger movement and industrial concentration might well be undertaken by the Dominion Bureau of Statistics with the assistance of the more-detailed corporate taxation statistics which are now being compiled. Industrial concentration resulting from mergers or corporate acquisitions is of a much more enduring character than that which results from a trade combination among independent firms. The application of remedies, where public detriment arises from mergers and consolidations, raises problems analogous to those arising in relation to the situation next described, that of monopoly.

21. Monopoly.—The fourth situation, that of monopoly by a single producer or of monopoly control by two or three dominant producers acting in common, resembles the second and third in presenting similarly grave difficulties in arriving at the real facts and in applying adequate remedies where the public interest has suffered. The mere possession of a monopoly position cannot in itself be held to be an offence. If a firm becomes and remains the sole supplier merely by reason of being first in the market or by reason of other equally innocent causes, it should not be condemned for having such economic greatness thrust upon it. On the other hand, the securing or maintenance of a monopoly position by buying up rival firms, or by attempting to bar all avenues to possible competitors, or by driving rivals out of business by the abuse of economic power is of a different character. The detection and proof of such practices are extremely difficult. A single firm may be the survivor out of a group of active competitors because of the superior ability, foresight and industry of its management, or there may be changes in the nature of demand or costs which make one firm the only reasonable unit for production. Determination as to what really brought about the situation thus requires most intensive study. At least three of the current major investigations involve, in whole or in part, problems of this or of the merger type.

22. It is an offence under the Combines Investigation Act for a person to be a party to the formation or operation of a merger or monopoly to the detriment of the public. Although successful prosecution of participants in mergers or monopolies detrimental to the public will doubtless help to deter others from carrying on similar activities, publicity and the mere imposition of a penalty cannot be relied on in all such cases to ensure the breaking up of an undesirable corporate concentration and the restoration of competition. Although Canadian law provides only limited precedents for injunctive relief by the courts to restrain further violations of the law or to require restoration of the status quo ante, it is hoped that further study and experience will develop means, with the assistance of new legislation if it should be found necessary, to provide positive relief to supplement the negative sanction of prosecution. The modification of the tariff, for which the Act makes provision in certain circumstances, will also provide a useful additional remedy in appropriate cases.

23. International Cartels.—The problem of international cartels is one in which it has been necessary for us to maintain a continuing interest. The Canadian government has given full support to proposals for international collaboration to prevent undue restrictions by international cartels as one of the objectives of an International Trade Organization. This objective is included in the proposals which have been under consideration by the United Nations

Conference on Trade and Employment. It is clear that only through international action can effective means be found to prevent the harmful effects of restrictive business agreements on international trade.

24. It would not be appropriate for me to comment on the deliberations of the Havana conference, from which I returned recently. The committee on restrictive practices and one or two other committees have completed their work, but the conference of nearly sixty nations has yet to come to final agreement on some very important issues. It can be said, however, that there are strong grounds for believing that agreement will be reached on a program of action on the cartel problem. The provisions of the draft charter as drafted at Geneva are public property. An examination of chapter V will show that its provisions are similar in many respects to the provisions for investigation and publicity in the Combines Investigation Act, and that the definition of restrictive business practices accepted at the preparatory meetings has also many points of resemblance to Canadian legislation. This chapter does not lay down any specific prohibitions of cartel practices. It will, however, establish the channels through which member countries may make complaints of detrimental practices and the means whereby such practices may be investigated and publicity given to their nature and effect. Member countries will be under obligation to take all possible measures to ensure, within their jurisdiction, that private and public commercial enterprises do not engage in practices which have harmful effects on the expansion of trade or which interfere with any of the other objectives of the International Trade Organization.

III

25. May I make brief comment on the statutes which preceded the present Combines Investigation Act, with particular reference to the part which parliamentary committees of other years have taken in the shaping of this type of legislation.

26. In 1888 a parliamentary committee was set up to investigate alleged combinations in restraint of trade. Following that inquiry an Act was passed, in 1889, making it an offence for persons to combine or agree to "unduly prevent or lessen competition" or otherwise restrain trade. This early legislation was consolidated in the Criminal Code in 1892. It was amended in 1900 and is still part of the Criminal Code, now as sections 496 to 498.

27. The Combines Investigation Act of 1910 was not the product of a parliamentary committee. It was introduced, however, as a result of public concern about the rising cost of living and the rapid growth in the number of corporate mergers and consolidations in that period. The 1910 Act was designed to supplement the sections of the Criminal Code by making provision for investigation and publicity through ad hoc boards to be set up for particular investigations. It had certain serious drawbacks which could have been overcome by amendment. The 1910 Act represented a substantial forward step in establishing basic principles of investigation and publicity, principles which have been embodied in all the subsequent legislation on the subject.

28. In 1919 a special parliamentary committee to investigate the rise in the cost of living was appointed in circumstances very similar to those facing the country today. As a result of its inquiries parliament enacted in the same year the Combines and Fair Prices Act and the Board of Commerce Act. The nature and subsequent history of this legislation are of particular significance. In the Combines and Fair Prices Act parliament purported to authorize the Board of Commerce to restrain and prohibit the formation and operation of such trade combinations as the board might consider to be detrimental to the public; and to issue orders requiring any member of an organization which the board con-

sidered illegal to cease and desist from its practices. The Act also empowered the board to restrain and prohibit the making or taking of profits which the board considered were unfair, and to prohibit the accumulation of goods, to an extent which the board considered unreasonable. The board was authorized to attach criminal consequences to any breach of the Act which it determined to be improper. The legislation was considered by the Supreme Court of Canada and the Judicial Committee of the Privy Council. In 1921 the latter tribunal held that there Acts were ultra vires the dominion parliament, since they interfered seriously with property and civil rights in the provinces.

29. The present Combines Investigation Act, passed in 1923 to replace the Combines and Fair Prices Act of 1919, was framed so as to avoid the constitutional limitations pointed out in the judgment of the Judicial Committee. Even so, its validity was questioned but it was found to be intra vires the dominion parliament on reference to the Supreme Court and subsequent appeal to the Privy Council. Sir Lyman Duff, in his reasons for judgment, emphasized the difference between the 1919 Act and the present Combines Investigation Act in the following words:

An attempt was made on the argument to bring this statute (the Combines Investigation Act) under the decision of the Privy Council in relation to the Combines and Fair Prices Act, 1919. There is no doubt that parts of the present statute are taken from the earlier Act, but the provisions of the earlier Act which gave character to that Act have disappeared.

The former statute in its substantive enactments on the subject of combines, conferred upon the Board of Commerce, a Board created by dominion legislation, composed of persons named by the dominion government, the authority and the duty to inquire into the existence of combines and plans for the formation of combines, and to suppress, by order of the board, the combines themselves, and practices associated with combines, in so far as the board might think it right and in the public interest to do so. The present Act gives no such power of regulation.

Mr. FLEMING: What is the reference?

The CHAIRMAN: Mr. Fleming is asking for the reference. You mean the case.

Mr. FLEMING: If it is not handy we can get it later.

The CHAIRMAN: We will get that for you.

The WITNESS: 54 D.L.R. I have not got the particular page.

By Mr. Fleming:

Q. Which case was it?—A. In re Board of Commerce Act—no—

By Mr. Lesage:

Q. Is that reference not called the Board of Commerce Case?—A. No, this quotation is from the Supreme Court's decision on the Combines Investigation Act, which was brought down in 1931.

The CHAIRMAN: We will have that citation for you at the end of the statement.

The WITNESS: It was delivered on April 30—

The CHAIRMAN: We will get that afterwards.

The WITNESS:

30. The inquiry by the Price Spreads Committee and Commission in 1934 and 1935 was followed by the enactment of the Dominion Trade and Industry

Commission Act, 1935. At this time parliament was concerned over the question of low prices rather than high prices. Administration of the Combines Investigation Act was assigned to the Dominion Trade and Industry Commission. Private agreements to regulate and control prices or production were to be investigated by the Commission, and it was authorized to recommend, when it was of the opinion that the public interest would not be detrimentally affected, that such agreements be approved by the Governor in Council. On a reference to the Supreme Court in 1935, this provision was held invalid in that it was not necessarily incidental to the exercise of any powers of the dominion in relation to criminal law, and that it contemplated action by the Commission and by the Governor in Council in respect of individual agreements which might relate to trade that was entirely local.

IV

31. The Present Combines Investigation Act, which was amended in 1935, 1937 and 1946, provides for the investigation of trade combinations, monopolies, trusts and mergers alleged to have operated to the detriment of the public through limiting production, fixing or enhancing prices, preventing competition or otherwise monopolizing or restraining trade. Organizations of this nature which are against the interest of the public are defined by the Act as "combines", and participation in the formation or operation of such combines is an indictable offence. Since its enactment in 1923, apart from a period in 1935 to 1937 when the duty of administering the Act was assigned to the Dominion Trade and Industry Commission, the legislation was administered under the Minister of Labour. On October 1, 1945, its administration was transferred to the Minister of Justice, to whom the commissioner is directly responsible.

32. In view of the parallel purpose of Section 498 of the Criminal Code it was provided in the 1946 amendments that the commissioner may receive and investigate complaints respecting practices alleged to be offences under Section 498, and also under Section 498A of the Criminal Code which concerns offences related to those covered by the Combines Investigation Act. The amending Act of 1946 also restored to the Act a provision enabling the commissioner to proceed on his own initiative with an inquiry to determine whether a combine exists or is being formed. A similar provision had been contained in the legislation from 1923 to 1937. A preliminary inquiry into an alleged combine may be made, therefore, on complaint from the public, at the instance of the Minister of Justice or on the initiative of the commissioner. If this discloses sufficient evidence to justify more extended examination, a formal investigation is then undertaken.

33. Preliminary inquiries under the Act must be conducted in private and usually formal investigations are made in like manner. Inquiries do not proceed beyond the preliminary stage unless the information obtained indicates that fuller investigation is justified. When an investigation is completed the commissioner reports his conclusions to the Minister of Justice. The Act requires that such reports shall be made public. If in the opinion of the commissioner an offence has been committed the report and evidence may be remitted by the commissioner to the attorney general in whose province the combine has been found, or reference may be made to the Attorney General of Canada, for such action as the conditions disclosed may appear to warrant. Prosecution for offences under the Combines Investigation Act follows the regular criminal procedure under the authority of the provincial attorney general. Prior to 1946 the Act provided that prosecution could be made only at the instance of the Attorney General of Canada or a provincial attorney general, but this limitation was removed in 1946.

34. The effectiveness of the legislation against undue restraints of trade cannot be measured by the number of investigations conducted under it or by the

number of prosecutions for alleged offences. From many sources we have definite information that the legislation and the possibility of investigation have led to the abandonment of proposed agreements which might have been brought into question. I am sure that these are not isolated incidents by any means, and that the same corrective influence has been felt in many other fields of which we have no knowledge. I do not mean to imply that voluntary observance of the legislation can be relied upon for its enforcement. I do suggest that a consistent policy of investigation and prosecution where this is justified has produced and will produce results which will extend beyond the particular fields to which attention may be drawn through publicity and the imposition of penalties. The period of the war has resulted in a hiatus in the administration of the legislation but we feel that the program of investigations which we now have in hand, together with other inquiries as they become necessary, will have an important preventive effect and will do much to re-establish the significance of the legislation in the minds of businessmen and the public generally.

V

35. During the latter years of the war, activities under the Combines Act were largely suspended in view of the establishment of direct wartime emergency controls over practically all branches of industry and trade. The commissioner acted as Enforcement Administrator of the Wartime Prices and Trade Board, and the staff of the commission was made the nucleus of the board's head office enforcement organization. In anticipation of the return to peacetime conditions consideration was given to the rebuilding of the organization of the Combines Investigation Commission. The amendments to the Act in 1946 have been most helpful. Our staff now consists of two deputy commissioners and eight investigating officers, in addition of course to the necessary clerical assistance.

36. Our work has increased greatly during the period of decontrol, and, to a considerable extent, as a result of decontrol. As price ceilings have been lifted from different commodities, we have watched the trend of their prices and other factors to see if there were indications of private price agreements to maintain prices or to increase them. Some additions to staff have been made to enable us to meet these additional responsibilities. In order, however, to cope more fully with the immediate situation, we sought and obtained assistance from the Wartime Prices and Trade Board and the R.C.M.P. Their co-operation has been of the greatest value. This means that, instead of having had only ten officers engaged in this work, we have had the assistance of members of these organizations, at certain periods, for certain types of work. The prices board staff has, of course, been dwindling and we can therefore count less and less upon their assistance. The R.C.M.P. are still available but there are only certain phases of our work in which their particular type of service can and should be employed. Having in mind the pressure of our work in the past few months, and the prospect of its continuance and increase, we have been arranging, with the approval of the Minister of Justice and through the Civil Service Commission for further additions to our permanent staff. We are not anxious to build up a big organization, but additional assistance will be taken on as it is needed and as suitable men can be found and assimilated and trained.

37. Mr. Ilsley has already informed parliament that we are engaged in six major investigations. It so happens that of these six inquiries (all of which are likely to culminate in printed reports) no one of them has reached the stage of a completed report. In one of them all the documentary evidence has been assembled, all the witnesses have been examined, and the argument of counsel has been heard. In this case the preparation of the report is in progress, but

the oral evidence runs into nearly two thousand pages and the documents run into several thousands. In four of the other cases all the documents have been brought together, and in two of these practically all the oral testimony has been recorded. I wish the task of completing these cases were as simple as it would seem to be. I can only assure the members of the committee that our whole organization has been working energetically to bring these cases to the final stage of report. As they are completed we shall move on to other cases as they arise which call for similar attention. I should add, though, that our work is not completed with the publication of a report if that report is an adverse one and the case moves on to prosecution. In connection with the dental supplies prosecution which has already begun in Toronto, three members of our staff have spent several weeks assisting in the preparations for the trial, and further assistance will be required when the case is before the court.

38. These activities, relating to domestic combines and international cartels, have constituted the major part of our work during the past year. The list does not include a considerable number of other cases, some of them representing fairly extensive inquiries. In some of these cases formal proceedings may become necessary, depending on the results of preliminary inquiries not yet completed. Others have been closed at an earlier stage because the evidence obtained did not appear to justify further action under the Combines Act.

39. I hope the committee will not require me to discuss or to give particulars of the cases we are working on or the industries and companies involved. Such a course might result in grave unfairness to those whose conduct is being examined, since some members of the public may be only too ready to conclude, without justification, that investigation necessarily implies guilt. Our practice has been not to disclose information about the inquiries we are making, even the fact that we are making inquiries in a particular industry, until our work is completed and the results are published in the form of a printed report. Public reference has been made to our inquiries in the bread-baking industry, but these inquiries have been a matter of public knowledge for a long time, due to statements about our activities made by members of the industry itself.

VI

40. I realize that everything I have said here does not bear directly on the immediate problem of high prices. It is obvious that ours is not the appropriate agency to look to for an immediate reduction in the prices of bread and butter or meat and potatoes or any other products. It is equally obvious, however, that in the long run the maintenance of competitive conditions is vital to our kind of economy, essential for the protection of the public against excessive prices.

41. The very existence of the prohibitions in the Combines Act is a protection to consumers; so are the continuous investigations; so are the less frequent prosecutions. Canadian businessmen, like the rest of us, are by and large law-abiding citizens. Even though from time to time we find violations of the Combines Investigation Act, I am convinced that generally business in Canada is conducted on a high plane and that generally the business of selling goods to Canadian consumers is conducted on a reasonably free competitive basis. I have already indicated certain branches of industry and trade where, even in peacetime, competition is not the appropriate public safeguard and where governments have established other means of control, such as public regulation and public ownership. Outside of such exceptions, however, price competition is relied upon to bring things into balance and keep them there. Where artificial means are employed to prevent it from operating we have a responsibility to find the facts and, if the facts disclose that the arrangements amount

to a violation of the Act, to bring the facts to the attention of those empowered to take action. That responsibility includes a continuous program of investigation, reports and, where necessary, prosecutions or other remedial action. I do not think the best results can be obtained by starting a series of sweeping investigations into industry generally, what might be termed a trust-busting campaign. I think more effective work can be done by steady day-to-day concentration on the problem, dealing with conditions as they arise where it appears the Act may apply. The approach should be one of lively concern about the possibility of the public being detrimentally affected, vigorous action in securing the facts, and calm consideration of the facts when they are ascertained.

42. While indirect control by price competition can never be expected to be completely effective, neither can a system of direct price control, even in wartime. Wartime price controls in Canada, direct controls, were singularly successful in spite of stupendous difficulties. They were given unprecedented support throughout the country, by the general public, the courts, the press, and, not least, by businessmen themselves. An immense organization and hundreds of investigators were needed, of course, and for a long period prosecutions ran to 700 or 800 a month, about 95 per cent of which resulted in convictions. Even these, however, could have represented only a fraction of the total offences. It was impossible to be aware of all or nearly all the breaches of the price ceiling. With all the efforts of the Wartime Prices and Trade Board and all the public support of the program, every violation of the regulations could not be discovered and could not be prevented by direct price control.

43. If indirect price control, control through price competition, is to give adequate protection to the public under peacetime conditions, businessmen must be aware of the limits within which they must operate. Most businessmen know what the law is, and observe it. It is part of our educational program under the Combines Investigation Act to see that more of them know, and the aim of our enforcement policy to see that all of them observe. Consumers too must be better informed not only of their rights in having competitive conditions maintained but also of the very important part which price competition plays in keeping prices within reasonable limits. This committee itself can make an important contribution in that educational program. Investigations and published reports and court judgments are essential means of communicating such information. If our work is carried out in the spirit and to the degree that we hope for and plan for, price competition will play an even more important part in protecting the public from unreasonably high prices.

The CHAIRMAN: Thank you, Mr. McGregor.

Mr. DYDE: Mr. Chairman, perhaps while Mr. McGregor is looking up the reference for which Mr. Fleming asked with regard to a couple of cases, it would be worth while to elaborate on Mr. McGregor's statement by having on the record, so that the members of the committee would find it more conveniently, one or two sections from the Act under which Mr. McGregor works, namely, the Combines Investigation Act. It occurred to me it may be useful for me to read into the record one or two of those sections.

I refer particularly to section 2, subsection (1) of the Combines Investigation Act, which reads as follows:—

2. In this Act, unless the context otherwise requires,

(1) "Combine" means a combination having relation to any commodity which may be the subject of trade or commerce, of two or more persons by way of actual or tacit contract, agreement or arrangement having or designed to have the effect of

- (a) limiting facilities for transporting, producing, manufacturing, supplying, storing or dealing, or
- (b) preventing, limiting or lessening manufacture or production, or
- (c) fixing a common price or a resale price, or a common rental, or a common cost of storage or transportation, or
- (d) enhancing the price, rental or cost of article, rental, storage or transportation, or
- (e) preventing or lessening competition in, or substantially controlling within any particular area or district or generally, production, manufacture, purchase, barter, sale, storage, transportation, insurance or supply, or
- (f) otherwise restraining or injuring trade or commerce; or a merger, trust or monopoly; which combination, merger, trust or monopoly has operated or is likely to operate to the detriment or against the interest of the public, whether consumers, producers or others.

Another section which I might read into the record is section 10 because it describes, partially, Mr. McGregor's duties.

10. It shall be the duty of the Commissioner

- (a) to receive and register, and, subject to the provisions of this Act, to deal with applications for investigation of alleged combines;
- (b) to bring at once to the Minister's attention every such application;
- (c) to conduct such correspondence with the applicants and all other persons as may be necessary;
- (d) to call for such returns and to make such inquiries as he may consider to be necessary in order that he may thoroughly examine into the matter brought to his attention by any application for an investigation;
- (e) to compile information and make studies concerning the existence in Canada of monopolistic conditions arising from the operations of international cartels or otherwise and to make reports from time to time to the Minister;
- (f) to keep a register in which shall be entered the particulars of all applications, inquiries, reports and recommendations, and safely to keep all applications, records of inquiries, correspondence, returns, reports, recommendations, evidence and documents relating to applications and proceedings conducted by the Commissioner and when so required to transmit all or any of such to the Minister;
- (g) to supply to any persons on request information as to this Act or any regulations thereunder;
- (h) generally to do all such things and take all such proceedings as may be required in the performance of his duties under this Act or under any regulations made hereunder.

Mr. DYDE: Under the heading "remedies" in the Act, there are two sections which I think would be useful.

29. Whenever, from or as a result of an investigation under the provisions of this Act, or from or as a result of a judgment of the Supreme Court or Exchequer Court of Canada or of any superior court, or circuit, district or county court in Canada, it appears to the satisfaction of the Governor in Council that with regard to any article of commerce, there exists any combine to promote unduly the advantage of manufacturers or dealers at the expense of the public, and if it appears to

the Governor in Council that such disadvantage to the public is facilitated by the duties of custom imposed on the article, or on any like article, the Governor in Council may direct either that such article be admitted into Canada free of duty, or that the duty thereon be reduced to such amount or rate as will, in the opinion of the Governor in Council, give the public the benefit of reasonable competition.

30. In any case where use has been made of the exclusive rights and privileges conferred by one or more patents for invention or by one or more trade marks so as:—

- (a) unduly to limit the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any article of commodity which may be a subject of trade or commerce; or
- (b) unduly to restrain or injure trade or commerce in relation to any such article or commodity; or
- (c) unduly to prevent, limit or lessen the manufacture or production of any such article or commodity or unreasonably to enhance the price thereof; or
- (d) unduly to prevent or lessen competition in the production, manufacture, purchase, barter, sale, transportation or supply of any such article or commodity;

the Exchequer Court of Canada, on an information exhibited by the Attorney General of Canada, may for the purpose of preventing any use in the manner defined above of the exclusive rights and privileges conferred by any patents or trade marks relating to or affecting the manufacture, use or sale of such article or commodity, make one or more of the following orders:

- (e) declaring void, in whole or in part, any agreement, arrangement or licence relating to such use;
- (f) restraining any person from carrying out or exercising any or all of the terms or provisions of such agreement, arrangement or licence;
- (g) directing the grant of licences under any such patent to such persons and on such terms and conditions as the court may deem proper, or, if such grant and other remedies under this section would appear insufficient to prevent such use, revoking such patent;
- (h) directing that the registration of a trade mark in the register of trade marks be expunged or amended; and
- (i) directing that such other acts be done or omitted as the court may deem necessary to prevent any such use;

Provided that no order shall be made under this section which is at variance with any treaty, convention, arrangement or engagement respecting patents or trade marks with any other country to which Canada is a party.

Mr. McGregor, are there any sections which you think might be usefully read into the record other than those which I have read?

The WITNESS: 32 might be useful.

Mr. DYDE:

32. (1) Every one is guilty of an indictable offence and liable to a penalty not exceeding ten thousand dollars or two years' imprisonment, or if a corporation to a penalty not exceeding twenty-five thousand dollars, who is a party or privy to or knowingly assists in the formation or operation of a combine within the meaning of this Act.

(2) No person shall be charged with an offence against this Act on the same information or indictment as that on which he is charged

with an offence against section four hundred and ninety-eight of the Criminal Code.

(3) The provisions of this section which provide for the imposition of penalties shall not be deemed to deprive any person of any civil right of action.

Mr. McGregor informs there are pamphlet copies of the Combines Investigation Act but I thought that it would be useful to have the sections which I have read put on the record for convenience.

The CHAIRMAN: Before Mr. Dyde goes on with his questioning I will say that counsel had spoken to me before this hearing as to the course that he should adopt and he thought that he would like at the outset to put some general questions to the witness. I want to make it clear to the committee that procedure will not preclude any member of the committee from putting questions as they will undoubtedly wish to do. While dealing with this witness we shall adopt that practice, but each member of the committee must feel free to put whatever questions he wishes at any time.

Mr. FLEMING: Could we have some information as to what might be the length of this general questioning that Mr. Dyde proposes to make?

Mr. DYDE: I would think my questions, as far as my questioning is concerned, would probably occupy the time from now until adjournment but not longer. That does not allow for the possibility of there being other questions interjected during that time and my questions then being extended further.

Mr. MACINNIS: Mr. Chairman, I think we could adopt the same general principle in regard to Mr. Dyde's questions as we have adopted amongst ourselves; that is that no one will interfere unless it becomes necessary for him so to do by way of clearing up or pointing out a question.

The CHAIRMAN: Yes, that is right. I would also like to point out that counsel is here at the disposal of the committee at any time. Mr. Dyde asked me to clearly state that at the beginning.

By Mr. Dyde:

Q. Mr. McGregor, I will try to refer to the numbered paragraphs rather than to pages because of course the page in the record will be different from the page in your present brief. I notice that in paragraph 1 and in paragraph 5 you refer in the first instance to unjustified price increases and unjustifiably high prices and the safeguarding of the public with respect thereto being one of the functions of the act and I note that in paragraph 5 you say that the Combines Investigation Act confers no authority on the administering agency to fix prices, even maximum prices. I think it would be helpful to the committee, Mr. McGregor, if you would just look at those two sentences and explain whether there is any disagreement between your two statements or not?—A. I have tried to emphasize throughout the brief that the method under the Combines Act is quite different from that under the Combines and Fair Prices Act of 1919. The aim is the same, to prevent prices from going unjustifiably high. Our job is not a function of directing people to do things or to decide what is an unfair price. The court judgments have been very clear in showing that is not one of our responsibilities. Nevertheless the object of inquiries is to maintain that principle of public safeguarding the public by competition, and to assist in making competition operative and continue in operation in order that high prices may be prevented. I do not think there is any more effective agency to prevent high prices or to prevent one concern charging an exorbitant price than to have his competitors charging a lower price and one thing the Combines Act is designed to do is to assist in maintaining the freedom of individuals to charge what prices they like.

Q. What you want to say, Mr. McGregor, really is this, that in paragraph 1 of your statement you are assisting Canadian consumers against unjustified price increases, but you are doing that within the four walls of the Act itself?—A. That is it.

Q. Yes; and it is by way of the machinery set up in that Act that you can proceed, although there are other way of carrying out the purposes; am I correct in that?—A. I think that is right.

Q. I think I was out of the committee room—and you will correct me please if I am wrong—when you read paragraph 3; and I wanted just to have you say something with reference to what wartime orders you refer to there. Now, these were numerous, were they not?—A. They ran into thousands, as I have indicated. This paper was revised many times before it was ready for submission to the committee, but apparently we overlooked changing the word “hundreds” which I have in there. That really should have been “thousands”. It would have been much more correct to have said “thousands” than “hundreds” when referring to the prices board’s activities.

Q. In addition to orders there have been other things called directives, have there not?—A. Directives might be called orders too—there are also the specific directives issued by administrators which were not included—I am now referring to what are known as the numbered orders.

Q. Could you give us any idea of the actual number of orders?—A. No.

Q. But you do know that there were thousands?—A. Yes.

Q. Referring to paragraph 5, and to the last sentence in that paragraph: “. . . if the facts disclosed that the public has suffered from the acts of a combination or monopoly”; would I be correct in saying that one of the ways that you decide that the public has suffered is that you find in particular cases high prices?—A. The principal point of our inquiries, is not the fairness or the unfairness of the price; we concentrate on the element of agreement, to determine whether there has been an undue lessening of competition. In that we are merely following the terms of the Act and the interpretation of it by the courts. In a later section I have included one small extract from a judgment handed down by Mr. Justice Hope. In the dental supplies report which has been published recently several extracts from judgments are included on pages 92 and 93.

Q. I am thinking of this, Mr. McGregor, that something starts you off into an inquiry. It may be an application from somebody. But you can work on your own initiative if you wish. I am thinking that you rarely hear of a certain agreement, but you must surely come across high prices very often. What I would like the committee to know is whether that starts you to thinking along a line which will end in an investigation on the question of price itself?—A. There is one thing I should say first: we do frequently hear of agreements. We do keep our eyes on prices. As I have indicated in a later paragraph and particularly in the decontrol period, where prices appear to be out of line, we have made inquiries to see what has been responsible for them. It may be the high cost of materials from some other countries. We may find no indication at all of agreement; but that is the particular thing we seek. Often we must start off on indications that prices are unjustifiably high. Thus we work back from that to see if, at the source of an unjustifiably high price or an apparently unjustifiably high price, there is some agreement there.

Q. I think then I can sum it up this way, can I not, that in certain cases you certainly notice first a high price and you guess that it is caused to some extent by an agreement, and you make an inquiry as to whether there is an agreement or not?—A. That is one way in which inquiries start.

Q. And then in order as well to sum up what you have just said, there are other cases where your attention is attracted, particularly if there is an agreement?—A. Sometimes by competitors; sometimes by other people who know or think they know of the existence of an agreement.

Q. Refer to paragraph 6. Towards the end of the last sentence you say "that few of the cases with which you have had to deal have had their origin in the war period—most of them having been made within the pre-war years; attempts at this "self-government" that you speak of: Now, I do not want to ask you if that is an accurate statement, but I would like you to say whether you have noticed a trend subsequent to the war which has been greater in this direction than that which occurred prior to the war?—A. During the war, as I have indicated, industry became accustomed to working together, and in some cases we encouraged such activity.

The CHAIRMAN: Just a moment, Mr. McGregor, a member of the committee down there is shaking his head, indicating that he is having trouble hearing you. Are you having trouble in hearing the witness, Mr. Beaudry?

Mr. BEAUDRY: Yes.

The CHAIRMAN: Speak a little louder please, Mr. McGregor?

The WITNESS: It is pretty hard to say that there is definitely a trend toward the kind of price-fixing arrangement to which this paragraph refers. We have found a great deal of evidence that business concerns are definitely avoiding such price arrangements. Having chafed under the restraints imposed on them in the wartime period, many are very keen on getting back into a really competitive atmosphere. I do not think I can say that there is more going on now which is contrary to the Act than at any other time. I know there is sufficient to keep us very busily engaged, and I am hoping that the type of action we have been taking will have the result of heading off any marked trend in that direction by business concerns. Business people realize of course that the courts condemn certain types of action, and I think it is becoming apparent that they are modifying their own courses of action accordingly.

By Mr. Dyde:

Q. I am thinking specifically of younger men, I am bound to say. We are all assumed to know the law and yet there have been young men starting up in business since the war who have not been in business before, and I am wondering quite frankly what means you have of informing them. Have you any means of informing them about the law with respect to this?—A. One of the chief means of informing them is through our published reports; and as Mr. St. Laurent indicated in the 1946 debates, a very valuable educational method is prosecution. I think there is nothing that brings closer to young men as well as older men what the law means than that. As far as an educational program goes, I do not think that is a matter in which a civil servant can take a very active part, other than by performing the duties required of him under the Act itself.

Q. In that same paragraph 6 you have an interesting phrase, "restrictionist philosophy." Are you referring to philosophers or are you referring to industrialists? Would you amplify that a little bit?

Mr. FLEMING: Or politicians?

The CHAIRMAN: They are not philosophers.

Mr. FLEMING: Since when? Speak for yourself, Mr. Chairman.

The CHAIRMAN: I am not.

The WITNESS: In such controls as we have had during wartime there have had to be restrictions all the way down the line. The Prices Board restricted competition, and had to restrict competition during the war years in a period of emergency. Pardon me for having used this type of word; I should have used something very much simpler.

Mr. HOMUTH: We understood it.

The WITNESS: The idea behind many agreements is to prevent expansion of business if such a limitation would work to the interests of the concerns themselves. The whole purpose of the Combines Investigation Act is to develop and permit freedom within the economy, to encourage flexibility of price rather than the rigidity that develops from restrictions that are frequently imposed.

By Mr. Dyde:

Q. I think you might be said to mean that we have been teaching them bad habits during the war, and you think those are bad habits that we had better get out of. Is that right?—A. I think they were good habits for the war. I think they were necessary and very helpful to the prices organization in accomplishing its purposes, but as I have indicated in a later paragraph, I think it is very undesirable that industry should do for itself many of the things that government has done for the interests of the public. In many cases I have had it put up to me, "Why can we not do just this? It has been done in the war period." It may be standardization of a product. The prices board required for ample reductions in the number of sizes and styles of goods. While we would all be very much in favour of standardization of certain types there is a danger that standardization imposed by an industrial group itself might work damage. It might standardize out of existence some of the lower price lines.

Q. Would you refer to paragraph 9, and at the minute I am interested in a sentence which starts:

"This misconception rests on the attractive but misleading concept that actual cost plus a fair profit equals a reasonable price."

You go on in the succeeding sentences to elaborate on that but I think it would be helpful to the committee if you would go further in your elaboration and tell us in your own words now why that in your opinion is not a way of arriving at a reasonable price?—A. Actual cost may include many elements that are not necessary costs, that would not be there if there was some competitive pressure to eliminate them. The same thing is true of profits. After very considerable inquiry they may be found to be fair, although our organization is not equipped to pass on the fairness of profits or the reasonableness of prices. Very frequently prices have a lot to do with the making of costs. A price is quoted by one firm at a lower level than is prevailing. That may mean the necessity on the part of its competitors in meeting that competition, to eliminate certain costs that have crept into the whole structure. It is only that kind of pressure frequently that will prevent the expansion of costs, the inclusion in actual costs of elements that are not actually necessary.

By Mr. Harkness:

Q. If I may interject I think what you have in mind here primarily is manufactured goods of all kinds rather than goods which the farmer produces, and people of that nature?—A. Of course, generally the farmer sells his produce under competitive conditions. I think that consideration applies less to agricultural products.

Q. In other words, your remarks would be primarily applicable to manufactured goods?—A. Well, I think it would be in the distributive trades, too, the costs of distribution. They may be inordinately high, and some new system of distribution may creep in that will reduce those costs. The uneconomic type may disappear from the economy altogether.

Mr. IRVINE: I should like to ask a supplementary question.

Mr. PINARD: Would you please speak up so we can hear you.

By Mr. Irvine:

Q. I should like to ask if the witness does not think that a very highly competitive price might be the most unfair price of all, that unnecessary

competition might add to costs quite as much as inefficiency in an individual corporation?—A. If you are referring to price competition I quite agree some types of competition do add enormously to costs, but in the absence of price competition frequently a lot of other types develop: competition in salesmanship, competition in accessibility, competition of an excessive number of dealers in a business. That usually develops from the absence of price competition. Since dealers or others are not free, because of agreements, to sell at lower prices, to attract business by lower prices, they use other means. They may add to their selling force, add considerably to their advertising cost, new store fronts, anything to attract the customer by appeals other than price. They do not compete in price because of the agreement.

By Mr. Dyde:

Q. This may be a hard question for you to deal with, and you tell me if it is. I am still looking at paragraph 9 and at that same sentence and group of sentences. Can you in any way refer that to bread, for example? I am taking bread because of its particular interest. What types of cost could come into bread, for instance, which would make your sentence there correct? What types of cost could creep in to prevent cost plus a fair profit from equalling a reasonable price?—A. It might be in the selling costs, the actual distribution of the product. During the war years the prices board prevented for example, any special deliveries of bread. That may creep in again. In the absence of price competition a baker may very well, in order to retain the goodwill of the consumer, make special deliveries, may add materials to the loaf that may not be necessary for the public. They may add more milk to the loaf, and as a result of that increase the price of the loaf. Although the amount of milk or milk powder going into the loaf might be very slight, the product could be advertised as very much improved and very much better for the public, and the result would be a higher price. I suggest if you want to think of milk as a very valuable addition to our diet because of its nutritional value we might better buy a quart of milk than pay an additional price for the milk that might be put into a loaf of bread. There are other costs that will creep into the price, costs that will advance the price if there is not pretty substantial price competition that holds the price at a fairly low level.

Q. Yes, but you have taken milk, for instance, in bread, and let me take the same thing. If, at a given time, the bread which is being sold generally has no milk in it and then if someone comes along and decides to put a little milk in the bread, presumably improving the bread, that is a legitimate cost—I am asking you—that is a legitimate cost which, with a fair profit on top of it, will become a reasonable price for that new loaf; is that not correct?—A. I think you can work out a case that these actual costs of a particular item plus a reasonable profit on a particular item might equal a fair price on a particular item, but if you are going to have a price control at the top, generally, by the trade, it is going to include costs which are not necessary or desirable. Then, if you have agreements, as these costs advance you are going to have discussion as to whether the new costs do not justify new prices and better prices.

Q. So I think what you are emphasizing in paragraph 9 is more the cost other than material cost, am I correct about that? What you are saying is that unnecessary costs come in—you spoke of delivery cost and there may be others?—A. Yes, there may be.

Q. Can you help us on that? Can you suggest what others there might be?—A. With a guaranteed price, there may not be the keenness to buy low which would be exercised if there were some pressure on the price itself. An illustration of that which has already been made public relates to anthracite coal.

There was an agreement on that part of many concerns in the early thirties. The price in Montreal was \$14.50. The price was reduced after the investigation

and after the trial from \$14.50 to \$13. It was reduced, I think, because considerable competition came into play after that. In Dr. Tory's enquiry which was made a couple of years after ours, the price of coal was shown to be reduced to \$13, and that at a time when costs had increased because of an increase in the cost of sterling from a little less than \$4 to a little less than \$5, an increase which meant nearly \$2 a ton. There was an increase in cost of \$2 a ton, and a reduction in price of \$1.50. Still there was a profit, a profit of about 58 cents at the time of our enquiry and about 25 cents, at the time of Dr. Tory's enquiry.

What happened was that the price formerly obtained in Canada was no longer obtainable. Costs therefore had to be reduced, including the cost of the coal itself coming from Wales. There you have one instance of price determining costs. Other efficiencies had to be developed in order to keep within the lower price which had been set by competitive conditions.

The CHAIRMAN: At this point, Mr. Maybank wishes to report concerning the witnesses for tomorrow.

Mr. FLEMING: May I ask a question? Has Mr. Dyde completed his examination?

Mr. DYDE: No, I have not, not by any means.

The CHAIRMAN: You will remember we decided to call Mr. Christiansen tomorrow, and those who are being charged in his statement. Counsel was instructed to get in touch with these people at once with a view to their attending here tomorrow morning. Since counsel was engaged here, Mr. Maybank was given that assignment.

Mr. MAYBANK: Mr. Chairman, with respect to Mr. Christiansen who has been mentioned—I am sorry I do not know Mr. Christiansen's initials—

The CHAIRMAN: George.

Mr. MAYBANK: Mr. George Christiansen, who is chairman, I believe, of the Independent Retail Merchants' Association, or an association with a somewhat similar name, was asked if he could be here tomorrow morning at eleven o'clock. There was a great deal of difficulty about him doing so as the organization is, at the present time, apparently holding meetings in Toronto; but after conferring back and forth he was able to clear other things out of the road and arrange to be here, together with a Mr. Jamieson, whose initials I do not know. I rather inferred from the way he spoke—

The CHAIRMAN: William.

Mr. MAYBANK: Mr. William Jamieson, who is chairman of one of the association's committees—those two gentlemen will come.

Pursuant to the suggestion made in the steering committee this morning that persons who would be likely to be under charge by Mr. Christiansen and any associate who may be with him, should be here. I got in touch with Mr. L. F. Burrows, Secretary of the Canadian Fruit and Vegetable Association, who was in Ottawa, and requested him to have representatives of his organization present. He later told me he would arrange to have probably Mr. Bamford and Mr. Reynolds, both of Toronto, present for the purpose of making any statement which might seem to be appropriate after Mr. Christiansen and Mr. Jamieson have given their evidence.

All of these gentlemen were given to understand that the committee did not feel it was likely this question would be commenced and completed in the period of time at our disposal before Thursday morning, but that this was in the nature of a preliminary only.

I should like to say with reference to Mr. Christiansen, he apparently had considerable difficulty arranging to come tomorrow morning. He and his associates quite evidently set aside a good deal of important business for the purpose of coming. I feel the committee will be grateful to them for that.

Mr. PINARD: Have any of these gentlemen informed you as to whether they would have written statements?

Mr. MAYBANK: It was patent that they did not have anything which could be submitted in advance. Mr. Christiansen said that on such short notice he felt he would be bound to give less than the full story he would like to give and that he would have to be very busy between now and eleven o'clock to-night collecting papers, in the nature of invoices and that sort of thing. He felt that he and Mr. Jamieson would be kept very busy indeed getting as nearly ready as they could. Therefore, the committee cannot have, in advance, information as to the nature of the evidence other than that which has already appeared in the press, chiefly the Toronto press.

The CHAIRMAN: Miss Speers, I wonder if you could, for the members of the committee, arrange for copies to be typed and distributed of the statement made by the gentleman to whom reference has been made. You will find that statement in the newspapers of Thursday and Friday of last week, both the Montreal and Toronto papers. Could you do that at the earliest possible date.

The meeting is adjourned until four o'clock.

The committee adjourned at 12.55 p.m. to meet again at 4.00 p.m.

AFTERNOON SESSION

The committee resumed at 4.00 o'clock p.m.

The CHAIRMAN: The meeting will come to order.

Mr. IRVINE: Mr. Chairman, just before you proceed I would like to raise a point. I did not quite undersand Mr. Maybank before the adjournment when he was talking of calling Mr. Christiansen. I think he suggested the gentleman was quite ready but that we were having to call him because we expected to be done with the present witness pretty soon and Mr. Christiansen would be coming on next. I would like to suggest that we give Mr. Christiansen another day to get ready. I feel sure that we will be holding the present witness for most of tomorrow and it would then give us time to complete this witness before we called another. That, to me, would seem logical, and it would give the other man a chance to get his material in shape, and he could not say he was pitch-forked in here too quickly.

The CHAIRMAN: I do not think that is the situation.

Mr. IRVINE: It may not be.

The CHAIRMAN: Well, witnesses are at the disposal of the committee, but we cannot rush our work. I would think that we shall have to judge for ourselves as to whether or not Mr. Christiansen is ready. All we know is that there were certain charges made, the merits of which none of us know, but they were of such a character that it did not seem that we could overlook them, and we are giving the earliest opportunity for their consideration.

Mr. IRVINE: I think that is proper too, but I think if the witness indicates the calling is so sudden that he is not ready we should give him another day.

Mr. MAYHEW: Would he not have his material before making the statement?

The CHAIRMAN: You have not seen the material Mr. Irvine?

Mr. IRVINE: No.

The CHAIRMAN: If we are not ready we will, of course, finish what we have started.

Mr. IRVINE: That is the main thing that I have in mind, that we should finish what we have started before we call any other witness.

Mr. F. A. McGregor, Commisisoner, Combines Investigation Act, recalled.

By Mr. Dyde:

Q. Mr. McGregor, I would like to ask you to refer to paragraphs 8, 9, and 10, all of which come under the heading of price agreements, and I would like to ask you for the sake of the committee if you will relate your remarks there to the commodity bread? Tell us if you can how it works when it comes to that particular commodity?—A. An effective agreement on a commodity such as bread is pretty difficult in any event because of the number of bakers in the field, but when you get a few bakers who have a very large part of the volume there is more danger of a price agreement. When there are indications of a sharp increase in price or a general increase in the price of bread that looks as if it might have been the result of a concerted action, it is our job to find out something about it and that is what we have done. I indicated in the latter part of the memorandum that since decontrol we have been watching to see if there are any indications of agreement and we start off frequently on the basis of unusual prices. That gives us our cue. While it is true we have done that since decontrol, in the case of bread we started before decontrol. As a member of the prices board I knew, early in August, that the wheat subsidy was coming off some time in September, so in advance of that we started our inquiry to see if there was any likelihood of a price agreement developing and whether there was a possibility that we might head it off if it was under way. There was justification for our action because I had learned as much as two years before that, that the bakers had it in mind, or some of the bakers had it in mind, to get together and advance the price as soon as the wheat subsidy disappeared.

The CHAIRMAN: What year was that?

The WITNESS: That was in the spring of 1946. That suggestion came to me from a conversation with an officer of one of the associations with whom I discussed the general question of competition. He agreed absolutely that price competition was an essential part of a competitive system. But when at the end of the discussion we turned to bread, he referred to that as a peculiar industry and said that it would be necessary for the larger baking companies to get together, when the wheat subsidy came off, to decide whether the advance would be 1 cent or 2 cents a loaf. Having that in mind, when there were indications that the wheat subsidy was going to disappear, we took it upon ourselves to find what the bakers had in mind and if they were proposing to act on that earlier suggestion. In answer to your question as to what we do about suspected price agreements, and in particular reference to bread, that is what we did there. It was an inquiry that extended all across Canada to find out what they were doing and later, on September 15, when the subsidy was removed, we took more active steps to get more of the records of the companies to see what they had been planning to do. It is difficult to get a unanimous agreement on prices in a commodity such as bread. The chain stores did not advance their prices to the same extent as the others nor did they advance them at the same time. Take the recent advance in Toronto, the advance was not made on the same day by all. I think you will recall that on the Monday, two weeks ago today, one of the baking companies announced an increase. The next day a lot of others followed the same prices. There is where you get your follow-the-leader type; but it may be advance by agreement. It is a matter not only of finding whether they have an agreement but it is a matter of getting documentary evidence to prove the agreement before we can take the case any further, and our task in that connection is an exceedingly difficult

one. We have the evidence in many of the cases we are working on now, and we have very substantial documentary evidence of the fixing of prices. I should not go further than that—

MR. JOHNSTON: Do you always have to have documentary evidence?

THE WITNESS: To prove your case in court, I am pretty well satisfied that you have to have documentary evidence.

MR. JOHNSTON: There might be evidence of a combine without documentary evidence, might there not?

THE WITNESS: There might be but it is exceedingly difficult to prove its existence on the basis of the testimony of the men engaged in it. If you are going to charge them you cannot bring them into court and I have found too that there is a substantial discrepancy between the oral statements made and the documents which we have found.

By Mr. Merritt:

Q. Could I ask you this question? You said in the bread business there was considerable competition but then you went on to say there were a number of large bakers which narrows down the industry. Is the pattern after the war the same as before the war or are there more large companies and fewer small companies than there were?—A. I think some of the large bakers have extended their operations, but in some cases that is not true. I am thinking of one large company controlled by one of the flour milling companies which is no longer controlled, at least directly, by the milling company and is more or less independent now.

Q. Would you say the general pattern was the same as before the war or different?—A. Pretty much, but I think there is a tendency on the part of the large baking companies, and I am guessing at this, to have a larger proportion of the business. My impression is that there is some tendency in that direction.

MR. DYDE: Mr. McGregor, would you go on to paragraph 11?

By Mr. Winters:

Q. Before you go on to 11, I would like to check up on one point, a statement in paragraph 9 dealing with the misleading concept that actual cost plus a fair profit equals a reasonable price. In view of the fact this price deals with the term reasonable price so often I wonder if Mr. McGregor would care to suggest what the definition of reasonable price might be?—A. I have tried to eschew the word from my vocabulary. I cannot tell what a reasonable price is of any commodity. The elements of cost change from day to day. Fifty cents for an item may be described as being a reasonable price one day and 50 cents may not be reasonable the next day because some competitor has forced it down. I have seen the definition that a price is too high if it can be lowered, but usually prices are lowered, not necessarily because of reductions in cost but because some of the other sellers are selling at reduced prices.

Q. Is it not a fact that the concept in business of a price usually arises out of cost plus a fair profit?—A. Yes, but I was trying to point out this morning that costs are not always necessary costs.

Q. I am just wondering about the statement saying that it is a misconception that actual cost plus a fair profit equals a reasonable price. Are you not pretty much in line with that?—A. Yes, to find out what reasonable costs are is just as difficult as to find out the reasonable price because cost only differs in that it is on another level.

Q. Therefore while it may be correct in some instances to say that reasonable price is cost plus a fair profit it does not hold true in all cases? Is that fair? You would not say that was a general misconception would you? I am just wondering if, in normal business parlance it is competent to call that a

misleading concept?—A. I think it is a misleading concept. I am perhaps giving a personal opinion in saying that.

By Mr. Pinard:

Q. You say you cannot give a better definition of price; would you be able to say what a fair profit is?—A. It is just as difficult there, and perhaps more difficult.

Mr. MACINNIS: If you cannot say what a reasonable price is how do you justify there in the subsequent line the words "unjustifiably high prices"?

Mr. WINTERS: Yes.

The WITNESS: You will note there I have said, "an apparently unjustifiably high price".

Mr. IRVINE: You cannot properly speak of a reasonable and just price maintained through an unjust and reasonable system; is that it?

Mr. CLEAVER: You cannot resist the temptation, can you?

Mr. IRVINE: I will not press for an answer to that.

The WITNESS: Thank you.

By Mr. Dyde:

Q. Now, Mr. McGregor, may we go to paragraph 11, price leadership; and would you in the same way relate that to bread?—A. What I have said already I think relates to price leadership and its relation to bread. I think it may be impossible for us in the Combines Commission to do much about the price leadership program. But I think there may be a lot of things which appear as price leadership which are perhaps based on a combination at the bottom, though you might have difficulty in establishing that. But now, to get back to this question of price leadership, I think that one remedy which could be applied is to let the public know what the circumstances are. And I cannot think of any better medium of letting them know than through this parliamentary committee. There is difficulty in dealing with that. Then there is the problem of no competition merely for the time being. But your price leadership is not a fixed kind of thing like a combination in agreement; somebody may break away from it very readily. You cannot prove the offence as easily in a price leadership case as you can in the price agreement. Perhaps something else could be done about it, and one thing I think of now is publicity. It may invite into the field some others who are more independent in their way of doing things; and that is quite possible in the bread field, and the bread baking industry. The industry is one which is comparatively easy to enter. To enter it on a big scale means a tremendous investment, but you can set up a small baking establishment and charge your own prices; and they may be very effective in selling under price leaders.

By Mr. Cleaver:

Q. What total volume of bread business would you need to have to be in a position to practise price leadership?—A. I cannot answer that question. I do not know.

Mr. MAYHEW: Is it not a fact that price leadership does not necessarily come from the larger bakers? May it not come as well from the smaller bakers, particularly in the case of a downward trend?

The WITNESS: The smaller plant or company can do a lot of damage, damage to the industry, but perhaps a fine contribution to the public.

By Mr. Winters:

Q. Is this price leadership confined to cities with large populations like Montreal and Toronto?—A. No, I think not. I think even in the small communities one leading concern could set the lead and the others would follow;

but we cannot force people to compete. All the Combines Act says is that you must not make arrangements that would keep you from competing. I think that in itself is a pretty effective method to use in a price leadership program. Where a price leadership system is in operation one thing that could very well be considered is the freer entry of products from other countries; at any rate, lower tariffs could be considered along with a lot of other related matters.

By Mr. Homuth:

Q. Of course, we are not going to import bread from other countries?
—A. As far as bread is concerned, I do not think that would be feasible.

Q. No. The fact of the matter is, Mr. McGregor, that as far as your department is concerned you have no effect at all on the increase in the cost of living unless there are monopolies, unless there are increases in the prices of commodities; is that not right?—A. Unless there are monopolies or combinations.

Q. Or agreements; it all means the same thing.—A. It all relates to combination or monopoly.

Q. The fact of the matter is your department, notwithstanding the brief you presented—your department may be concerned very largely with someone who is selling away under the price, some organization that is selling away under the price in order to throw other people out of business; and the result is it is not a case of increase in price, it is a case of lowering prices to get other people out of business. You are dealing with monopolies. What this committee is dealing with is excessive increases in the cost of living which have occurred within a few months which may not be related to monopolistic control or anything else. It is a case of just something that has happened, so that your department itself has very little to do with the whole increase in the cost of living which this committee is supposed to be investigating; is not that true?—A. I have indicated in my brief—

Q. We have your brief stating that—A. As I stated, as far as this problem is concerned—

Q.—that you could do nothing about it?—A. No, I have not said that. In the long run maintenance of competitive conditions is going to prevent high prices, and it may be that non-price competition has been responsible for high price increases.

Q. You have no proof of that?—A. That is my job, to search for the proof.

Q. Certainly.

By Mr. Cleaver:

Q. What about the agreement to maintain the end price for the product? Have you any suspicion of that among bread retailers; or, have you any instances where the large baker would stop supplying bread to the retailer who does not maintain the end price?—A. That is the problem which comes up under the next heading, under retail price maintenance. The question put to me was with regard to price leadership, but now you raise the question of retail price maintenance. As I indicated in the brief it is complained that attempts have been made by bakery companies to require retail dealers, including chain stores, to sell the bread that is made by these bakers at prices fixed by the baker.

Q. And on failure to do that they do not get their supplies?—A. That is the charge; sometimes it may not be a requirement, and that penalty may not be visited on them. At other times it is merely a suggestion of price; as I said this morning, it may be merely a label, putting the price on the wrapper itself. That may have something of that effect.

Q. Well, in your opinion is there any justification for attempting to maintain the price on the market for bread. I do not want to labour the thing, but we are on bread. Do you believe there is any justification at all for maintaining the end price?—A. The same situation applies to all these other commodities to

which we have been referring, but for the moment we are speaking more particularly of bread. I think it is highly undesirable that that practice should be permitted. I think something should be done about it. We are doing something. And I think this committee as it develops will find itself very much concerned about the problem, and it may be that they will be able to prevent any extension of it or any continuation of the practice which is now in operation, if it is in operation.

By Mr. Homuth:

Q. But, Mr. McGregor, you say, if it is in operation; is it in operation?
—A. I cannot tell you that until we complete our inquiry.

Q. Quite. You say we should condemn it if it is in operation, but if it is not in operation we have nothing to condemn; and we have no proof here that it is in operation?—A. But I understand you are calling certain representatives of the bread-making industry before the committee.

Q. Then, of course, whatever is done is problematical. We do not know that these things are happening?—A. I am suggesting that this is one direction in which prices can be unreasonably enhanced, and I suggest that this committee may be able to find out whether or not such a practice has been permitted.

Mr. MacINNIS: Mr. Chairman, I think we should let Mr. Dyde continue.

By Mr. Dyde:

Q. Mr. Chairman, I think I covered largely the questions I had wanted particularly to ask and I thought in view of the time that I might now, subject to what you wish Mr. Chairman, suggest that the important questions that I have thought of asking have been asked, and that I might allow an opportunity for others to continue the questioning.

By Mr. Fleming:

Q. There are two questions which I would like to ask Mr. McGregor, if I may. Do I understand the view expressed in the brief this morning, Mr. McGregor, to be this: that during the war there was no effective enforcement of the Combines Investigation Act and that the policy contained in that act was largely reversed by reason of the superimposition on the Canadian economy of a system of wartime controls?—A. I did not say reversed. The objective of the prices board and the objective of the Combines Investigation Act was the same; to protect the public from improper prices. When the prices board was established it was given such complete powers and such wide powers in the emergency period that it could stop high prices just over night. A directive could be issued as soon as an undesirable condition was found out. Now, we could not take that direct action under the Combines Act. That is not the appropriate safeguard for a wartime economy.

Q. Perhaps I was wrong there in having asked you two questions at the same time. May I direct myself to one of those questions first. As far as the Act itself is concerned, I understand that there was not any rigid enforcement of it during the war; is that correct?—A. In the first two years we were active. I was appointed to the Wartime Prices and Trade Board on September 3, 1939, when war was declared. A very large part of my work from that time on was in connection with the board. We had a very small organization, and a little later on when the over-all ceiling was imposed, that was in the latter part of 1941, our small organization was taken into the prices board as a nucleus of the enforcement administration. That means so far as the Combines Act was concerned it was not vigilantly enforced in those years.

By the Chairman:

Q. You yourself were in the Wartime Prices and Trade Board administration, were you not?—A. From the first.

By Mr. Fleming:

Q. When would you say that enforcement of the Combines Investigation Act was resumed?—A. I would say January 1, 1946, when I withdrew from my work as enforcement administrator in the prices board.

Q. January 1, 1946? Do you say from that time on there has been serious vigilant enforcement of the Act?—A. For the first period our work was perhaps more organizational and more an attempt to get the legislation into the shape that we needed, and in the late summer of 1946 the legislation that we needed was introduced and was passed.

By Mr. Maybank:

Q. What staff did you have over the period you have just described?—A. The period pre-war?

Q. Over the period you have just described to Mr. Fleming, what staff did you have?—A. We had during 1946 four officers, I think.

By Mr. Fleming:

Q. After the legislation of 1946 you were able to build up your staff as you outlined in your brief this morning. I should like to turn to another matter. On page 6 you refer to the right of the Combines Investigation Commissioner—

The CHAIRMAN: It might be better to refer to the paragraph.

Mr. FLEMING: The very top of the page, paragraph 11.

By Mr. Fleming:

Q. You refer to the right of the commission under section 29 of the Act to recommend tariff reductions if competition within the country is not providing the public with the protection to which it is entitled. We have had certain drastic changes made in our law with respect to imports within recent months not, it is true, by way of amendment of the customs tariff. I should like to ask you if any recommendation has been made by you or your commission for changes in the customs tariff since you resumed enforcement of the Act on January 1, 1946?—A. In the one case, the dental products case, we did make a recommendation for the reduction of tariff on certain items that were found there.

Q. Any other cases?—A. No.

Q. That is the one instance in which you have recommended a change in the customs tariff in the last two years?—A. When the investigation is completed then is our time for making recommendations.

Q. I am not saying there may not be cases yet to come where you will be making recommendations arising out of something that may have happened hitherto, but the point I want to bring out is that up until the moment there has been only the one case where you have to date recommended a change in the customs tariff?—A. Yes.

Q. Now, I take it you had nothing to do with the recommendations and made no recommendations in connection with the changes that were made by order in council effective November 17 last as a result of which these restrictions were imposed on imports?—A. No. Our recommendations are made as a result of specific inquiry we make into particular industries.

Q. Have you had occasion since November 17 to receive any complaints as to any infraction against the Act with respect to any of the commodities on the importation of which restrictions were imposed on November 17 or since?—A. Complaints since—

Q. Since November 17 as a result of alleged infractions of the Act with respect to commodities the importation of which was restricted by the order

in council which came into effect on November 17.—A. I cannot recall now any instance of a complaint about those items.

Q. You have had no complaint, for instance, about the existence of a combine in respect to fruits and vegetables?—A. The question arises now about my disclosure of the cases on which we are engaged. Our practice has been, as I indicated in the last two or three pages of my presentation to you, not to give publicity to the subjects of our inquiries. If I am asked a question. "On what subjects are you not engaged", it will not be long before I have to hedge on a particular one. I just raise that question. You see my difficulty.

The CHAIRMAN: I have been thinking about that matter myself. I am not suggesting this is the the final solution, but this committee does want to get all the facts. In your judgment would it be a violation of that assignment if the committee were given that particular portion of your evidence in camera?

Mr. MAYBANK: No good.

The WITNESS: It would not be a violation of the Act for me to disclose.

The CHAIRMAN: No, but a violation of what you conceive to be a more efficient operation of your assignment.

The WITNESS: It could be disclosed only to the members of the committee?

The CHAIRMAN: The public and everyone would understand clearly, I think, that you have cases under way and do not want to disclose your hand. It may be my suggestion is not a feasible one, but I am putting it to you. It has been one that has been in my mind since this morning.

The WITNESS: I think you will know the reason for our attitude on this point. I think it may lead to embarrassment to an industry to have us speak freely about the cases on which we are working. As I indicated in paragraph 39 such a course might result in grave unfairness to those whose conduct is being examined, since some members of the public may be only too ready to include, without justification, that investigation necessarily implies guilt. It is something else to give the information in private to the members of the committee.

By Mr. Pinard:

Q. I take it when a serious complaint is made you immediately enter upon an investigation? You begin an investigation, do you not?—A. Yes.

Q. So that the minute you receive such complaints they are under investigation? They are under investigation now?—A. Yes.

Q. So you are not able to disclose who is under investigation now, from what you have said before, because the very minute a complaint is made it is under investigation. If you have received complaints you cannot disclose what the nature of the complaint is.—A. Our practice is not to disclose them.

Mr. FLEMING: May I say a word on this because I think it is a point we may be facing again, and I think we want to have a clear understanding of it, and particularly the relationship of the committee in trying to do its duty to the problem. I did not ask the question in any sense to embarrass Mr. McGregor or the administration of the Combines Investigation Act. I was thinking of it rather as leading up to the inquiry we are going to begin tomorrow into alleged profiteering in fresh fruits and vegetables.

We are in this position that we are going to be having complaints put before the committee, and in due time perhaps those against whom complaints are made before the committee will have something to say in answer to them. That is the expectation, at any rate, at the moment. The point that Mr. McGregor raises about the public assuming guilt on the part of those against whom a complaint is made is a point, of course, that might be applied to the committee's proceedings. Therefore, I do not think we can attach too much importance to that point at this stage of our proceedings.

I come back to the general proposition that we are here in search of information. Mr. McGregor is the person in charge of the administration of the Combines Investigation Act, and along with the chairman of the Wartime Prices and Trade Board is one of the few individuals who is most likely to have information within government circles. I think if Mr. McGregor has any information as to alleged profiteering or alleged hoarding in respect of these commodities that as long as they are not cases that are progressing towards some final report within his department, the time has come, I do suggest, when he ought to give us that information. I do not think that Mr. McGregor need feel any delicacy about giving the committee that information when he knows that tomorrow we are going to be plunged right into an inquiry on this very point with the people principally concerned here to make charges and give answers. Unless Mr. McGregor has got to an advanced point in his investigation, at the point where, for instance, a commissioner is about to be appointed, as one was appointed last week in connection with alleged complaints about bread prices in the west, I think the committee should have information of that kind. Mr. McGregor ought to be a very good source of information.

Mr. MAYBANK: Mr. Chairman, I think the question that Mr. Fleming asked, taking just that question, was unobjectionable because it clearly cannot point at any particular industry.

Mr. FLEMING: I am not asking names at all.

Mr. MAYBANK: But if one follows it up and asks about several then pretty soon we are into the position of Mr. McGregor giving information about investigations he is making, either directly or by necessary inference.

It seems to me that any information that he has that would be helpful to this committee in its investigations should be given. It would seem to me the best way to get information in the way of leads would be for anything that looks like a serious complaint to be given to the committee counsel at this moment. We can determine afterwards whether we want the same information obtained in a different way. That would serve the purpose at the moment.

I would think though that to the question, "Have you had any complaints under the Combines Investigation Act about any of those articles that are under restriction by the order of November 17", an answer yes or no would not point a finger at anybody in particular because there are so many commodities in it, but if you keep on that way by process of elimination we get to the point where information about investigations is made public.

Mr. IRVINE: I think we will have to point all five fingers at somebody.

Mr. MAYBANK: We will, yes.

Mr. IRVINE: For instance, I was thinking of asking the committee to call about a dozen of what I would call representatives monopolies in Canada to appear before this committee. We are not going to assume they are all guilty because we call them. We want to investigate. I do not see that in this committee we are in any different position than the commissioner under the Combines Investigation Act.

Mr. CLEAVER: I agree with your suggestion, Mr. Chairman. Mr. McGregor, as the head of a department of government, himself must decide as to what disclosures he should make and what disclosures he should not make in public fashion, because after all I take it that he should maintain a high standard of probity in the trade. If that is the way he feels about it I think we should respect his conclusions, but I think we should get all of the information and get it in camera.

Mr. MERRITT: It seems to me that if Mr. McGregor being here before us does not, either in camera or in public, tell the committee of any evidence that he has of hoarding or anything of that nature, then unless we discover it by

ourselves, by our own detective efforts during the course of the inquiry, we shall be bound to bring in a finding of fact that there is no combination causing an increase in the cost of living. If we have no evidence on it whatever that must be our finding. That is the position we are in. If Mr. McGregor and nobody else brings forward any evidence that must be one of our findings.

Mr. FLEMING: I should like to comment on Mr. Cleaver's suggestion about in camera proceedings. I want to preface it by saying that I think we are very much indebted to Mr. McGregor for the very enlightening brief he has read to us this morning. It has been exceedingly instructive to all of us, but unless we are going to follow up the questions asked up to the present time by seeking available evidence, direct evidence such as may be in his possession, then I am afraid the day has been devoted largely to an academic study.

Now there are, of course, limits. No one would suggest for a moment that Mr. McGregor should be pressed to give information or evidence with respect to a case which is approaching a point where action is about to be taken. I would not say the case must be sub judice. I would say even if it is close to being sub judice, I do not think the committee would wish to insist the information be given in public, but whatever we ask Mr. McGregor to give in the way of specific information which may be in his possession, we are not at all interfering with Mr. McGregor in the discharge of his responsibilities under the Act. The committee will take the responsibility, not Mr. McGregor. The committee will take Mr. McGregor's responsibility off his shoulders in that respect.

With respect to this suggestion of holding in camera sessions, we may encounter this suggestion again, so I would say, for my own part, I would want a very clear case, a compelling reason for this committee sitting or receiving any evidence in camera. The reasons for this I think are perfectly obvious. If you do hear some evidence in camera at the request of some people and you hear evidence concerning other people in public, I believe the committee could rightly be accused of the grossest kind of discrimination.

Not only that, but one of the reasons assigned by the Prime Minister in asking the House to appoint this committee was that, whatever benefits could be had from the full glare of publicity relating to profiteering or hoarding, could be attained, because it will be in the public interest. It will be defeating one of the professed purposes of appointing this committee if the committee considers sitting in camera.

The CHAIRMAN: I think the committee will all agree with what you have just said. The benefit of this committee will consist of two things it seems to me; first of all, the disclosure of facts, and that disclosure in public. I believe that is very desirable. I think we all agree with what you have said. My reference was with regard to those cases which you would characterize as being sub judice. No one on the committee would want nor would the public want any particular case which was now being actively prosecuted by the Combines Investigation Act unduly interfered with, because our objectives are the same. It was with regard to this particular class of case and this alone that my reference was made. I do not think we are at all at cross purposes.

Our common aim is to get a full disclosure of the facts. If this witness has facts which will enable this committee to deal with its work, it seems to me this committee should have those facts. It is just a question of the most effective way of proceeding without defeating the purpose of cases now under actual consideration or actual investigation by the Combines Investigation Commissioner, that my observation and suggestion was put forward. The more I think of this problem, the more I think that my statement of it is the correct one.

Now, with regard to your specific question on fruits and vegetables. As you say, we are concerned with that, perhaps tomorrow, and any facts which we can get that will assist us in that particular phase of our enquiry are

desirable. It may be, I do not know, but it may be that Mr. McGregor is in a position to tell us whether or not he has information which will assist us.

I do not think you actually put that question forward, but I suggest you ask the witness specifically whether or not, with regard to fruits and vegetables, he has information which could be of assistance. If he answers in the affirmative, then we will deal with the matter in the event he believes there should not be, at this stage, a disclosure to this committee in open sittings.

Mr. CLEAVER: I want to say at once that I entirely agree with everything Mr. Fleming has said. He has apparently misunderstood the reason for my suggestion. My suggestion was made in order that this committee would have all of the facts. Facts which the witness believes he should not, at the present time, disclose in public—I do not know whether he has some information which he has obtained confidentially which he believes he should not disclose until there are proper grounds for disclosing the information, but I thought it was highly desirous that this committee should have every bit of available information. If he has some information which he does not feel free to disclose to a sitting of the committee in public, we should then have that information in camera.

The CHAIRMAN: The only circumstances under which we would sit in camera would be those relating to cases which Mr. Fleming mentioned as being sub judice.

Mr. HOMUTH: I thought Mr. Fleming was right in placing the conditions he has placed on the information Mr. McGregor might give. We have to be very careful about sitting in camera in this committee, getting information and, tomorrow perhaps, having the fruit and vegetable people here; hearing the pro and con and having to curb them as to what evidence they are going to give or what they are going to say. I am very much opposed to the idea of sitting in camera because we will hear Mr. McGregor who will give us certain information. These people will appear tomorrow and, inadvertently, someone might bring out something which was said in confidence.

I believe that there are cases, which as Mr. Fleming said, are *sub judice* or close to it; those could be eliminated. Outside of that, Mr. McGregor ought to give evidence in public so that tomorrow when these people appear here and one faction says there is profiteering in fruits and vegetables and another faction says there is not, the committee will be able to decide. We cannot do it by having some knowledge received in camera which we dare not disclose. Inadvertently, it might be disclosed.

The CHAIRMAN: I think we are in full agreement with that.

By Mr. Fleming:

Q. I will put my question this way, then. Mr. McGregor, have you any evidence or information as to hoarding and profiteering in vegetables and fruits within the past three months?—A. No.

Q. Do I understand none at all?—A. May I add one word? All this discussion suggests I have a lot of information about fruits and vegetables. As a matter of fact I have none. All I did, in answering your question, was to raise another, whether I should be expected to say what we are not dealing with and what we are dealing with. I should not like to be put in a position of withholding from the public information which should be exposed. I am a very strong believer in publicity. It is one of the most effective weapons we have in dealing with the kind of problems with which we have to deal but, with us, it is a matter of timing.

I do not think those who have read our reports will believe we have kept things back. I have heard more criticism that we have gone too far in telling the things we know. I am exceedingly keen to help this committee in any way. It may be that I can work through the steering committee in indicating, at least, the subjects and the information I have.

I hope it will not be necessary to discuss cases because, in those cases, I think it is most desirable I should retain an open mind as long as I can. It is very difficult to discuss them without indicating tentative judgments on the cases which are before us.

I would be most unhappy if the newspapers came out tomorrow saying, "The Combines Commissioner has withheld information from the parliamentary committee." I am a public servant and ready to do what parliament tells me to do.

Q. I think we all understand that. I want to follow that up with this question: have you any evidence or information as to hoarding or profiteering in butter?—A. I have none.

Q. Have you any evidence or information as to hoarding or profiteering in meat?—A. There should not have been a pause before meat.

Q. My friend Mr. Lesage was saying a word of grace?—A. We have no evidence, we have had no complaints addressed to us. Our evidence comes after we start investigation. We have not started an investigation in any branch of the meat packing industry or of the meat industry.

Q. In other words, no one has put any information at your disposal and invited you to follow it up and investigate it?—A. No, and there is nothing I can give. However, you see we have started on vegetables and butter and meat. Now, the next question will probably be one on which I have, and then I disclose to you at once.

Q. Are you reading my mind? Just to clear up the record, have you any evidence or information as to price fixing with respect to those commodities I have mentioned, fresh fruits and vegetables, butter and meat?—A. Those three?

Q. The ones I have mentioned, fresh fruits and vegetables, butter and meat?—A. I have no evidence of price fixing in any of those.

Q. You have been reading my mind. You have sensed I was coming to something where the treading might be on more tender ground. Let us leave out of consideration entirely a question which is *sub judice* or nearly *sub judice*, the alleged price fixing in western Canada with respect to bread and confine ourselves simply to eastern Canada. Is there any reason why you should not give the committee certain evidence or tell the committee whether you have evidence of profiteering, hoarding or price fixing with respect to bread in eastern Canada?—A. I do not know whether it will be classed as evidence or profiteering or hoarding. We have assembled a lot of information about the practices in the bread baking industry in eastern Canada as well as in western Canada. I have spoken more freely of that because it has been public knowledge for a long time that we have been active in that particular industry.

I indicated this morning we had not given out the information. It had been given out by an officer of the association who informed the press we were engaged on such an enquiry. Those things do leak out. A lot of people know about some of the other enquiries. All I am trying to do is refrain myself, and our organization is trying to refrain, from giving information.

People who are investigated very frequently inform others that we are active in their industry. It comes out in ever so many ways; but, so far as our practice is concerned, it is to carry on our work quietly, in private hearings as the Act requires and as the Act indicates is the desirable way, and to give full publicity when we get to the end.

Q. Mr. Chairman, Mr. McGregor has indicated there is some information he has with respect to bread in eastern Canada. I will leave that now and Mr. Dyde and Mr. McGregor will be conferring on that. I do not need to go further into that at this particular point, so long as this information will be available to the committee when we come to deal with bread.

Now, you are familiar, Mr. McGregor, with the other staple items of the family budget which enter into the cost of living index of the Dominion Bureau of Statistics, or, let us say more particularly, the staple commodities which

enter into the family budget in Canada? Now have you any evidence or information as to hoarding, profiteering, or price fixing, with respect to those other commodities within the last three months?—A. Those other commodities? May I ask what ones you are referring to?

Q. I am putting it broadly, as to any of the commodities that enter into the family budget, the budget of the average Canadian family, apart from those we have mentioned which were fresh fruits and vegetables, butter, meat, and bread?—A. You are not asking me to indicate what they are?

Q. I will, yes?

Mr. MAYBANK: Not at this point, but later.

Mr. MERRITT: They are at page 48 of appendix 1.

Mr. FLEMING: Have you got a copy of our proceedings of the committee before you, Mr. McGregor?

The WITNESS: No I have not got a copy.

Mr. MERRITT: It is in the statistical memoranda, exhibit 1, right at the end and it comes under the heading No. 4.

The CHAIRMAN: Page 48.

Mr. FLEMING: The list begins with milk.

Mr. LESAGE: Well, that has to do with chain stores.

Mr. PINARD: That is a provincial matter.

Mr. HOMUTH: Do not talk nonsense.

Mr. FLEMING: I do not think we need argue about that, but I have asked the question of the witness.

The WITNESS: May I have the question again?

Mr. FLEMING: The question is going to be a general one with respect to the commodities on the list? Have you any evidence or information as to profiteering, hoarding, or price fixing, with respect to those various staple commodities entering into the budget of the average Canadian family? I am confining the period to within the last three months because I am thinking of a memorable date the three months' anniversary of which I believe we are celebrating tomorrow. Now the first commodity is milk?

Mr. CLEAVER: Do you want an answer to the general question before you go down the list?

The WITNESS: We are making inquiries now into some of the items that are on the list or the table on page 48 of exhibit 1.

By Mr. Fleming:

Q. Well run down through them and you can indicate yes or no. If you say you have investigations under way I will not press the point as I understand you will make the information available to counsel of the committee and it can be considered at another time. Now milk?—A. Is the question whether we are engaged in inquiry now?

Q. The question is this. Have you any information or evidence as to alleged hoarding, profiteering, or price fixing with respect to those various staple commodities that I am going to read out to you, within a recent period and I am taking the last three months? Now the first item is milk? —A. Well, would that not disclose at once exactly the subject of our inquiries at the present time?

Q. It will; but I do not see any escape from it if the committee is to do its job.—A. Is it not possible to give to counsel or to the steering committee the information that we have on any of those subjects. As far as bread is concerned there is no question about turning over to you the material we have that is not being used in the inquiry going on in the west.

Q. I have been very scrupulous and I avoided making any inquiry regarding the information Mr. McGregor has with respect to any of the commodities where he says he has information on hoarding, profiteering and price fixing. After all, if I may use the expression, we are getting into the meat of this inquiry and surely we have to know where evidence of hoarding, profiteering or price fixing is to be found and upon what commodities there is evidence of those offences. Now, I think the chairman could tell Mr. McGregor that the committee will take the responsibility for his answers, for his stating whether he has information or has not information on hoarding, profiteering and price fixing with respect to any particular commodity. I am not asking him to disclose names or specific information but I am asking whether he has information of those alleged offences with respect to those staple commodities which enter into the family budget of the average Canadian family and I cannot make it any clearer than that.

Mr. MAYHEW: Might not the result of answering some of those questions be that instead of expediting the inquiries and getting some results, Mr. McGregor's giving it to the committee would retard the very thing we are trying to do?

Mr. MACINNIS: I think the position here is rather difficult. I imagine Mr. McGregor thinks he is in a difficult position, but it seems to me rather strange that parliament would set up a committee, with wide powers—and I think the Prime Minister said the powers were unlimited—for gathering information and getting facts if we could not get any facts that are in the possession of another branch of the government whose sole business it is to get those facts. Now I do not know whether we should press at this moment for those answers but the matter could be allowed to stand over until Mr. McGregor can have an opportunity to talk to the Minister of Justice and then come back. I am not saying that we should accept the point of view of the Minister of Justice on the matter when he does come back, but perhaps there might be a change of mind. What I do not like is pressing a person at the moment for an answer to a question when he feels his conscience should not allow that in the belief that it would interfere with his obligations to his work and the organizations which he is investigating. I think however we must be in a position to get every bit of information available.

The CHAIRMAN: I think Mr. MacInnis has stated what every member of the committee feels, that we must get all the facts and that nothing must be withheld from this committee. Mr. MacInnis, I thought, very clearly has recognized the situation with which we may or may not agree, but it should be clearly understood that whether we get it from this witness the committee is going to get all the facts, and that should be underlined. I must say I do not want to make a ruling because I do not think that is the most expeditious way of dealing with things; but to try and help the matter along it did seem to me, and I may be wrong, the information based on the question is such that Mr. McGregor might not find it difficult to give. I do not know the story as well as he does but I make that suggestion. If Mr. McGregor thinks he would like to reconsider the matter, not because he wishes not to disclose the information but because he wants more effectively to reach the same object that we all have, we would have to entertain the point of view. It does seem to me the question on the surface is not the kind of question over which one should feel there was any embarrassment in the prosecution of duty. I am indicating at this stage quite clearly that we must underline, without reservation, that this committee is going to get all the facts.

Mr. LESAGE: In statement number 39 Mr. McGregor said, "I hope the committee will not require me to discuss or to give particulars of the cases we are working on or the industries and companies involved. Such a course might result in grave unfairness to those whose conduct is being examined—".

There is, however, nothing that I can see or read in that whereby we should not know or that we are not entitled to know the kinds of commodities. We are not asking the names of the companies nor of the industries; we just desire to know in what group of commodities those inquiries are going on, and where there is information which has been received about hoarding, price fixing or profiteering. It could only be withheld where Mr. McGregor feels that it would render difficult the continuation of his inquiries or the matter of the work of his department.

Mr. MACINNIS: Perhaps the continuation of the inquiry would not be necessary if we got the information.

Mr. WINTERS: It does not matter who gets the information. We can implement the work of the Combines Investigation Act or it can implement our work but I do agree with Mr. MacInnis that for his peace of mind Mr. McGregor should be given an opportunity to consult his minister.

Mr. CLEAVER: It is now 5.20 p.m. and Mr. Fleming might go on with other subjects. I think Mr. McGregor knows how the committee feels. We could let him have the evening to think it over and then cover the point tomorrow.

Mr. FLEMING: Mr. Cleaver has drawn attention to the fact that it is 5.20 and that emphasizes the fact that we have got to get to grips with this problem. We do not know whether we can have Mr. McGregor again, as we are going on into fruits and vegetables tomorrow.

The CHAIRMAN: I think we will have to finish with Mr. McGregor. Now in fairness to Mr. Fleming, I think he clearly indicated he was not dealing with any matter that was *sub judice*.

Mr. FLEMING: No, nor nearly so.

Mr. MACINNIS: I would like to ask, as between Mr. Fleming and Mr. McGregor, what they have in mind by *sub judice*.

Mr. FLEMING: I am simply asking as to those fields in which he has information. If he says that in a particular field he has information I am not pressing the point. I have not asked him to dig out the information and make it public. That is a matter that the committee will have to decide later on. Now this matter of Mr. McGregor's responsibilities to the minister I think invites comment.

After all, parliament is higher than the minister concerned. Parliament has established this committee. The Chairman has said and I think very properly, that nothing must be withheld from this committee; the committee is to get all the information. Now, where better can we go than to the two officials who within the whole framework of government are most likely to have what we need; first, the Chairman of the Wartime Prices and Trade Board, and second, the Combines Investigation Commissioner. Now, surely, that information is to be available to us and it is not to be held over for either Mr. McGregor or the minister to decide what shall be given by Mr. McGregor to this committee. I absolutely take issue, Mr. Chairman, with any suggestion that the course of action of this committee ought to be decided as a result of instructions given to Mr. McGregor by his minister.

Mr. CLEAVER: There is no suggestion of that.

Mr. FLEMING: Or even by counsel.

The CHAIRMAN: Gentlemen, we do not want to spend any time bickering. I know we want to be fair to every member of the committee, and I try to help your position, Mr. Fleming. I do think that your observation, as pointed out by Mr. MacInnis, was not completely accurate. I suggest we drop it now and then see what you can ascertain from the witness. We will proceed.

Mr. FLEMING: Can I go on? I was talking about milk.

The WITNESS: Mr. Fleming, your question related to profiteering, hoarding and price fixing.

By Mr. Fleming:

Q. Yes, and price fixing. I am trying to make it as easy as possible for you, Mr. McGregor. I wish to make it general at this stage.—A. We are not likely to receive complaints on hoarding and profiteering. We might receive some with regard to price fixing where the prices appear to have been unreasonable. But I do not recall now having received any complaints in the last three months. As I said, complaints with regard to hoarding and profiteering are not likely to be addressed to us; and with regard to milk, complaints with regard to that commodity are not likely to be addressed to us because that is a matter of provincial government control.

Q. We have had some evidence on that before this committee.—A. If we had any information about it we would be only too ready to make it available to the committee.

Q. As I understand it then your answer is, there has been no information as to profiteering, hoarding or price fixing with respect to milk in recent months?—A. Yes.

Q. We have already covered butter; now, cheese?—A. I know of nothing.

Q. Eggs?—A. No.

Q. We have covered meat; now fish?—A. May I confer with counsel for the committee a moment?

The CHAIRMAN: Certainly.

Mr. HOMUTH: What suckers we are.

Mr. JOHNSTON: Well, this is a fishing committee.

The CHAIRMAN: Order.

By Mr. Fleming:

Q. On advice of counsel what do you say?—A. On my own responsibility, I recall nothing as far as eggs are concerned.

Q. Fish?

Mr. IRVINE: We are now on fish.

By Mr. Fleming:

Q. We are one step ahead of eggs now, on fish?—A. No.

Q. We have dealt with bread; what about flour, do you know anything about flour?—A. We are engaged now investigating flour.

Q. Does that apply to eastern as well as western Canada?—A. Yes.

Q. I overlooked vegetable shortening?—A. Nothing.

Q. What was that?—A. I replied, "nothing".

Q. Lard?—A. The same.

Q. Rice?—A. I think not.

Q. Rolled oats?—A. Yes.

Q. You have something on rolled oats?—A. That is included with flour.

Q. Is eastern Canada included?—A. Yes.

Q. Corn flakes?—A. No.

Q. Then dry groceries—sugar?—A. No. I believe that is still under price control. I am not sure of that.

Q. Tea?—A. Within three months, no.

Q. All right then, let us go back a year on that?—A. Yes.

Q. How far back do we have to go in point of time . . .

Mr. IRVINE: Recent.

Mr. FLEMING: . . . to encounter this evidence?—A. Over a year.

Mr. PINARD: Now, are we going to have to go over all the others and carry them back a year too? Have we got to go over the whole thing again?

The CHAIRMAN: Mr. Fleming is putting his own questions.

By Mr. Fleming:

Q. On coffee?—A. Yes.

Q. That is in recent months?—A. Yes.

Q. Cocoa?—A. I think not.

Q. Salt?—A. No.

Q. We have dealt with fresh vegetables, what about canned vegetables—did you say; "salt, no?"—A. Yes.

Q. We have dealt with fresh vegetables, what about canned vegetables?—A. I am bothered about my answer there. I am giving it to the best of my recollection. I have been away since the middle of November in Havana and since I returned from Havana I have spent most of my time in Montreal and Toronto. In the time that I have been in Ottawa I have tried to review what had taken place during my absence. I am giving these answers to the best of my recollection. I do not recall having received any complaints about salt.

Q. You have some of your staff here?—A. The two deputy commissioners are here.

Q. Pardon?—A. The two deputy commissioners are here and they will assist me.

Q. I assume that if your answer is not complete according to your information they will add to it at any time?—A. Yes.

Q. The answer is then on canned vegetables as well as fresh vegetables you have no information or evidence of hoarding, profiteering or price fixing within recent months?—A. We have not.

Q. We dealt with fresh fruits, what about canned fruits?—A. None.

Q. What about coal?—A. I think not.

Q. Pardon?—A. I think not.

Q. Coke?—A. The same.

Q. Gas?—A. None.

Q. Electricity?—A. None.

Q. What about rentals and housing accommodations?—A. They do not come under the Combines Act. It deals only with commodities.

Mr. PINARD: I thought it covered that.

By Mr. Fleming:

Q. What about commercial accommodation?—A. No, we have had none.

Mr. PINARD: In the Act, section 2, subsection (d) "enhancing the price, rental or cost of article, rental, storage or transportation or"

The WITNESS: That relates to the rental of a commodity.

By Mr. Fleming:

Q. Then, taking clothing—I do not know whether it is possible to break this down in any way so as to save time in your answering, Mr. McGregor, let us take it on the basis of the headings used in the cost-of-living index, what about men's clothing?—A. Nothing on men's clothing.

Q. What about women's clothing?

Mr. HOMUTH: Oh, the new look.

Mr. IRVINE: Nothing on.

The WITNESS: Nothing.

By Mr. Fleming:

Q. On footwear?—A. Yes.

Q. Pardon?—A. Yes.

Q. Household furnishing?—A. No.

Q. Floor coverings; rugs, linoleums, congoleums?—A. No.

Q. Other kinds of furninshings, listing here, sheets, blankets, oil cloth and so on?—A. No.

Q. Kitchen hardware—frying pans, saucepans, garbage cans, etc.?—A. No.

Q. Dishes and glassware, including glass tumblers?—A. No.

Q. Cleaning supplies—ordinary soaps, soap flakes?—A. No.

Q. Laundry services?—A. The Act does not apply to laundry services.

Q. Medicines?—A. Yes.

Q. Now I do not want to be unfair. I am trying to keep within the terms of the lines we have been following, Mr. McGregor. Medicine covers a pretty big field. Can you help us there without being so specific as to embarrass any investigation you have under way?—A. I think it might embarrass the investigation we have under way in that field.

Q. It might?—A. Yes.

Mr. BEAUDRY: Mr. Chairman, don't you think the previous answers given by the witness should be subdivided?

Mr. IRVINE: How are you going to subdivide a "yes" or a "no"?

The CHAIRMAN: Perhaps the rest of the questions could be put more empirically, more specifically.

Mr. FLEMING: I was trying to keep it as general as possible for reasons which we can all appreciate.

The WITNESS: Not any of the items in two.

By Mr. Fleming:

Q. Nothing there?—A. No.

Q. Tooth paste?—A. No.

Q. Then would you give us your answer as to those if you are free to do so?—A. Pardon?

Q. Would you give us your answer with respect to those?—A. The items in two?

Q. Yes, the items reading talcum powder, tooth paste, tooth brushes, shaving sticks, toilet soap, vaseline and razor blades?—A. The answer is no.

Q. Then under transportation, gasoline?—A. Yes.

Q. Eastern and western Canada?—A. Yes.

Q. Tires.—A. Yes.

Q. Eastern and western Canada?—A. Both.

Q. Tobacco, that is tobacco of all kinds; cigars, cigarettes and cut tobacco?—A. No.

Mr. FLEMING: I guess that covers the list.

Mr. MACINNIS: Did you skip furniture on page 6?

Mr. HOMUTH: He said "no".

Mr. IRVINE: What about steel?

Mr. MACINNIS: That is not included.

Mr. IRVINE: Does not steel enter into the price of almost every commodity we use?

The WITNESS: We have no investigation in the steel industry.

By Mr. Johnston:

Q. What would your answer be in regard to electrical equipment such as radios, washing machines and sewing machines?—A. We have been making inquiries into radio tubes and sets.

By Mr. Winters:

Q. Radio tubes and sets?—A. Yes.

By Mr. Johnston:

Q. But not into sewing machines and washing machines?—A. No. Perhaps I should make one qualification under men's wear. There are certain types of men's wear in which we are interested. It is part of our inquiry into the rubber industry. I have indicated rubber tires. There are also rubber coats, rubber footwear and other types of rubber goods.

By Mr. MacInnis:

Q. I should like to refer to one or two items in Mr. McGregor's brief and ask him questions on them. In paragraph 2 on page 1 you say:

Under our wartime price legislation the freedom of individual sellers to decide their own prices was sharply curtailed. It had to be because we were living in a period of serious shortages.

Do you think that period of serious shortages is now over?—A. It is still apparent in some industries. I think perhaps there has been a recurrence of it in some.

Q. And would you care to say where?—A. In edible oils, for example, and controls are still operative there.

Q. Where controls have been removed would you consider increases in prices have been due in some part to the shortages?—A. Shortage is a relative term, more abundant than they were or less short than they were in wartime, and it is a nice question as to what particular time the control should be removed.

Q. In paragraph 7 on page 4 you give a number of forms in which there may be limitations on competitive activity. Can you explain examples of those, A, B, C, D and so on? You say:

Private restrictions carrying the possibilities of public detriment may evolve out of the following situations.

Can you give us examples that have come under your observation?—A. You are referring to A where we refer to agreements?

Q. "Where competitors agree to restrain competition, fix prices and quotas, restrict entry to the industry or otherwise restrain trade?—A. Some of the industries that have been referred to in the evidence I have given in the last few minutes are included within that group.

Mr. FLEMING: Would you mind speaking up? It is very hard to hear when you get your head down.

By Mr. MacInnis:

Q. "Common prices resulting from price leadership"—can give you examples of those?—A. I gave one of apparent control of that type, bread. It appears to be in gasoline. That is the type of thing we have in mind there.

Q. Then C, "Where competitors are brought under the financial control of a single corporation or a limited number of corporations". Can you recall any in that regard?—A. A single firm?

Q. Single firm or limited number of corporations.—A. International Nickel is an instance. Then there is the monopoly in certain lines of chemicals.

Q. "Where restrictive arrangements are imposed through exclusive patent or trade mark rights." Can you give examples of those?—A. In the report we made on Canada and International Cartels there are a number of references there. It includes references, for example, to radio. That would be an instance of that type. As to the next type, international cartels, there is a more extensive reference to the type of industry we have in mind.

Q. In paragraph 17 on page 8 you say:

On the more general aspects of resale price maintenance policy attempts have been made in some provinces to secure legislative sanction for resale prices fixed by an individual manufacturer.

Has legislation been passed in any of the provinces for this purpose?—A. In one province it was passed and it is still on the statute books. In the province of British Columbia there is an Act that was passed in 1937, an Act respecting the sale of commodities by retail. The substantive provision of that Act is:

4. No retailer shall sell or offer for sale in the province any commodity which bears, or the label or container of which bears, the trade-mark, brand, or name of the producer, distributor, or wholesaler of such commodity, at a price less than the price, if any, set by the producer or wholesaler as the retail set price of the commodity at the time of the sale—by him of the commodity to the retailer.

In the province of Alberta similar legislation was passed but it was repealed. In other provinces representations have been made by retail trade interests in support of that kind of price control legislation or resale price maintenance legislation.

Q. Is that Act operative in British Columbia? Was it proclaimed?—A. I beg your pardon?

Q. Did this legislation become operative in British Columbia?—A. It was assented to. It is on the statutes now. What actions have been taken under it I do not know.

The CHAIRMAN: The question was in the Act still in force.

The WITNESS: Yes.

The CHAIRMAN: He said he did not know whether any action had been taken under it.

By Mr. MacInnis:

Q. I should like to refer to paragraph 20 on page 9 which deals with mergers. You say:

In the first place, there is a lack of adequate information on the extent of amalgamations in recent years, the motives leading to them and their economic effects.

What is the reason for this lack of information? I assume it is a lack of information in your branch.—A. I think it is perhaps broader than that. Such information, you may recall, was brought together at the time of the Price Spreads Commission Inquiry in 1934 and 1935. Since then there has not been a continuous compilation of the material but within the last year we have taken on as part of our work the preparation of that material. As I say in a later paragraph it is not yet in complete form, and the information we have recorded there is only from the published sources.

Q. I am not sure whether you refer to it in your brief, but some little time ago you were very short of staff in the Combines Investigations Branch. Your staff was very inadequate. Have you all the staff required at the present time?—A. No, and the Civil Service Commission has been asked to advertise for additional applicants. We have been in touch with the Civil Service Commission trying to get from their lists of applicants in related fields men who would be qualified to work in this field. I am surprised to find that it is so difficult to get the type of man we need on this particular kind of work, but we have made some additions. We arranged for a chartered accountant to come on our staff last month, but at the last moment he decided that some other field was more attractive.

By Mr. Irvine:

Q. With the permission of Mr. MacInnis I should like to ask the witness a question in connection with his staff. I think he indicated this morning in paragraph 35 that his staff consisted of two deputy commissioners and eight

investigating officers. He further indicated in paragraph 37 that they were now engaged in six major investigations. It is also stated in the same paragraph that three of the officers are tied up in one prosecution in Toronto preparing for the trial of the dental combine case. It seems to me in view of what was said in this connection that your staff is wholly inadequate to deal properly with the present situation.—A. I think it is inadequate, and we are taking steps to increase the number. At the same time we do not want to build up a big organization and then try to find work for them, but rather as the work is pressing on us we propose to add to our staff. As I have indicated, we do not anticipate adding to our staff in a big way. In the last year or so, we did get excellent assistance from the Wartime Prices and Trade Board. We got the same kind of assistance from the R. C. M. P. However, the first source is not going to be available for very long, as the staff is not what it used to be.

Mr. Irvine was speaking of the three men engaged in the dental case. When the trial begins I think we will have one of our senior men there throughout the trial. There are not three men up there now. I have indicated that they have had to spend some weeks in preparation for that case.

Mr. BEAUDRY: A little louder.

The WITNESS: The men who are engaged in that case have not been giving their entire time to the dental case. For most of them it has been, as for most members of parliament, a night and day job for a long time. I just wanted to correct the impression we were sending a very considerable number of our staff up to Toronto.

Mr. IRVINE: I do not think we thought that.

By Mr. MacInnis:

Q. In carrying out these investigations can you engage outside persons for the limited period of the investigation?—A. Yes, there is authority under the Act which enables us to do that. For one thing, the appointment of a special commissioner to make the investigation in the western bread situation is of that type, but we can get other types of assistance. We have done that during the last year.

Q. In the light of your experience as the Commissioner of the Combines Investigation Act, would you say that the manner in which a product is produced and distributed, that is, whether it is produced under conditions of competition or monopoly, would be an important factor in determining the price of the product?—A. Oh, unquestionably, the price is determined by the kind of combination we are examining. Perhaps that is going too far. If there is proof that it is a combine, then it is usually a combination which has control of the price of the product. The same is true of the monopoly.

Q. Is it invariably the case, where a monopoly or a combine exists, that prices are higher than normally would be the case?—A. In my opinion, yes. They may be common prices in both instances, but my suggestion is that common prices which result from competitive conditions are normally on a lower level than prices that are the result of price agreement.

Q. Is it true there may be monopolistic conditions existing in various parts of this country because of the geographical distribution of firms or plants that would ordinarily be competitors? For example, if there was one manufacturer in Nova Scotia who sold in the maritimes, one in Ontario who sold in central Canada and one who sold in the west, are there monopolies of that kind existing in Canada?—A. Where one concern, having got a monopoly right across Canada.—

Q. In the same industry?—A. In the same industry; it may be, because of the expense of transporting the product into one field, there is not competition between the one in Nova Scotia and the one in Ontario.

Q. Well, would the question of the cost of transportation be the only factor entering into the situation? Have information or facts been drawn to your attention to show that there are divisions of territory that do not fit in with the cost of transportation?—A. If I get your point right, there are, no doubt, instances,—I cannot think of specific ones at the moment—where there is an allocation of territory; where one group may decide not to enter into the territory of another even though it could, by reason of the transportation cost.

Mr. HOMUTH: That does not necessarily mean monopolistic control.

Mr. MACINNIS: That is a matter of opinion.

Mr. HOMUTH: Of course, I know what your opinion is.

Mr. MACINNIS: I am not going to compare it with yours.

Mr. HOMUTH: Do not start at this late date.

By Mr. MacInnis:

Q. I have a question arising out of the statement made by Mr. Homuth. Does the Combines Investigation Act concern itself with arrangements or monopolistic conditions which may use low prices to destroy competitors?—A. Yes, that would be an exercise of economic power which might very well come within the Combines Investigation Act itself, as a monopoly which is operating to the detriment of the public, a monopoly which was attempting that for the purpose of eliminating competition.

Mr. HOMUTH: In fact it may be more serious, Mr. McGregor, than one which is increasing prices?

The WITNESS: It might have that effect in the end.

By Mr. MacInnis:

Q. But you can and do deal with it before it has come to the stage where it raises prices? You can deal with it while it is lowering prices to the detriment of other business?—A. Deal with it either under the Combines Investigation Act or section 498A which has now been placed under our jurisdiction.

Mr. MAYBANK: Section 498A of the Criminal Code?

The WITNESS: Yes, but you have to prove intent to eliminate competition.

By Mr. Irvine:

Q. Could such a case be proven at all unless it could be proven that such company was selling below cost or at cost?—A. Section 498A speaks of unreasonably low prices.

Q. Any price that does not show a profit is unreasonable?—A. I do not know.

Mr. HOMUTH: No, I think we should have it clearly understood. Mr. McGregor, you could have a very vicious monopoly which would set out to cut down prices and, perhaps, not charge certain of their costs against their product and so on so that, ostensibly, it does not look as though they are losing money on their cost price. Actually they are. If the department thoroughly investigated them, they would find that they were losing money and they were doing it for the purpose of eliminating competition.

Mr. IRVINE: I have no doubt they are doing that, but supposing you have a very efficient corporation which, by virtue of its enlarged output and efficient management, can sell cheaper than any ordinary small competitor. It does not try to put them out of business but, in the very process of competition, it wipes everyone out. What are you going to do about that?

Mr. HOMUTH: That is efficiency.

Mr. IRVINE: That is what competition does; it makes its own monopolies

Mr. HOMUTH: In other words, let the government own everything

By Mr. MacInnis:

Q. It is almost six o'clock. What would you say is the dominant tendency in industry. Is it towards competition or is it towards combination and monopoly?

Mr. MERRITT: I think that is far afield from this enquiry.

The CHAIRMAN: Shall we argue that tomorrow morning?

Mr. MACINNIS: The witness did not say he did not want to answer that question. It is a perfectly reasonable question because we are talking here about competition and we should understand why it is we have to pass laws to prevent combinations. Surely, if the tendency were towards—I am answering this question myself—if the tendency were towards competition, a law against monopoly would not be necessary.

Mr. HOMUTH: We pass laws against murder, too, and if there were no laws against murder, there would be a lot of dead people.

The CHAIRMAN: I suggest we have the argument as to the judgment after we have all the evidence.

Mr. MACINNIS: You had better let the witness answer it now because I will ask it tomorrow.

The CHAIRMAN: The witness has indicated he desires to complete an answer to Mr. Fleming's question.

The WITNESS: Mr. Fleming asked a question this morning about the citation for one case.

Mr. FLEMING: It is on page 14, paragraph 29 of the brief.

The WITNESS: The first case is referred to as, "Re Combines Investigation Act and Section 498 of the Criminal Code", and it is reported in (1929) 2 D.L.R. 802, at pages 809 to 810.

On the next page we referred to the decision in the Supreme Court in the reference, "Re Dominion Trade and Industry Commission Act", which decision was modified in part by the Privy Council on appeal. The Supreme Court reference is (1936) 3 D.L.R. 167. The Privy Council decision is reported in (1937) 1 W.W.R. 333.

Mr. FLEMING: You have not got those in the official report series?

The WITNESS: I have not the reference here.

The CHAIRMAN: The meeting is adjourned until eleven o'clock tomorrow morning.

The committee adjourned at 6.00 p.m. to meet again on Tuesday, February 17, 1948.

Doc
m
m
SESSION 1947-48

CA 862
49782
HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

NO. 5

TUESDAY, FEBRUARY 17, 1948

WITNESSES:

- Mr. F. A. McGregor, Commissioner, Combines Investigation Act.
Mr. George B. Christensen, National Director, Food Division, Retail Merchants' Association, Toronto.
Mr. William S. Jamieson, Food Merchandising Consultant, Toronto.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A. L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

LIBRARY
UNIVERSITY OF T

MINUTES OF PROCEEDINGS

TUESDAY, February 17, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

On motion of Mr. Maybank,

Ordered,—That the following corrections be made in respect of the evidence given before the Committee on Wednesday, February 11, by Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board, as reported in the printed record, viz:

“Page 62, paragraph 3, line 2, between the words “constantly” and “between” insert the words “*changing; and that price relationships*”.

“Page 63, second paragraph from the bottom, line 5, substitute “1935-39” for “1935”.

“Page 65, 9th line of paragraph 6, for the words “the index of 1945” substitute the words “*an index of 145*”.

Mr. F. A. McGregor, Commissioner, Combines Investigation Act, was recalled and further examined.

Witness retired.

Mr. George B. Christensen, National Director, Food Division, Retail Merchants' Association of Canada, was called, and sworn.

Witness was briefly examined and the Committee adjourned at 12.55 p.m. to meet again at 4.00 p.m.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee in attendance.

Mr. Christensen was recalled and further examined.

He filed:

Exhibit 3:—Letter to Mr. George Christensen, Toronto, from E. L. Urquhart, Timmins, Ontario, dated February 13, 1948.

In the course of Mr. Christensen's examination, Mr. William S. Jamieson, Food Merchandising Consultant, Toronto, having asked permission to make a statement, he was called and sworn; and having made his statement, he was briefly examined.

The Committee then reverted to the examination of Mr. Christensen, Mr. Jamieson also answering questions.

Mr. Christensen filed:

Exhibit No. 4: Invoice No. B 28919, dated January 28, 1948, from Ottawa Fruit Supply Company, Limited, to Mr. Hupman, in the amount of \$15.00.

At this stage, it was agreed that the witness (Mr. Christensen) who had been called on short notice, should be allowed some time to prepare his evidence and that further examination be deferred until the next sitting.

On question of procedure it was also agreed that hereafter all matters which, in the opinion of any member, should be inquired into, would, in the first instance, be brought to the attention of the Steering Committee.

At 5.30 p.m., witness retired and the Committee adjourned until Wednesday, February 18, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

February 17, 1948.

The Special Committee on Prices met this day at 11 a.m.. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The committee will come to order, please.

Now we will finish with Mr. McGregor pursuant to arrangements made yesterday.

Mr. MAYBANK: Mr. Chairman, there needs to be a correction made in the minutes. I would move, seconded by Mr. Fleming, that the following corrections be made with respect to the evidence given before the committee on Wednesday, February 11, by Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board, as reported in the printed record, viz:

Page 62, paragraph 3, line 2, between the words "constantly" and "between" insert the words "changing; and that price relationships".

Page 63, second paragraph from the bottom, line 5, substitute "1935-39" for "1935".

Page 65, 9th line of paragraph 6, for the words "the index of 1945" substitute the words "an index of 145".

The CHAIRMAN: It is moved by Mr. Maybank, seconded by Mr. Fleming, that certain corrections be made in the minutes of proceedings of February 11; is that agreed?

Mr. MACINNIS: Whose evidence is being corrected?

The CHAIRMAN: Professor Taylor was the witness.

Mr. MACINNIS: It is being done at his request?

The CHAIRMAN: He asked that the text be revised.

Mr. MAYBANK: It covers just one or two little slips that occurred some place between the witness and the printer.

The CHAIRMAN: Are there any complaints, Mr. Fleming?

Mr. FLEMING: I was just looking this over. This is the first I have seen of it. These look to be textual amendments and in order.

The CHAIRMAN: Agreed.

Mr. F. A. McGregor, Commissioner, Combines Investigation Act, recalled:

By Mr. Irvine:

Q. Mr. Chairman, I would like to ask some questions, if I may. I may take it, Mr. McGregor, that as Commissioner of the Combines Investigation Act you are what might be called an expert on the legislation. You would know it pretty thoroughly. You described the intent of the Act and the powers conferred, in your brief. Is there any other legislation other than the Combines Act which might be used to check combines or monopolies?—A. Section 498 of the Criminal Code, and Section 498A are important in that respect. I suppose

one might consider tariff legislation as having an effect one way or another, reductions in tariff may bring in competition from outside the country which would make competition within the country more lively.

Q. Since you have raised the point, would tariffs have much effect on a cartel which had a complete international monopoly on a commodity?—A. It might or it might not. If a cartel had, as part of its program the allocation of quotas and quantities to certain countries at certain prices it might be that even if the tariff were reduced nothing would be gained.

Q. And they would still have the power to impose their will on the countries affected?—A. That is right.

Q. In your report, Canada and International Cartels, you were instructed to and you did make certain recommendations to what further legislation was needed to safeguard the public interest, did you not?—A. Yes.

Q. Did the 1946 amendments to the Act provide sufficient power to investigate all types of offences which relate generally to prices, unfair trade practices, production and distribution policies or to competition, or the undue prevention of competition?—A. Not sufficient to cover everything that is referred to as unfair trade practices. Unfair trade practices may or may not be considered under the Combines Act. In many cases they are dealt with in provincial legislation. But as far as the type of combination that is defined in the law itself is concerned, I think the 1946 amendments have given us an Act which is pretty effective. It can and should be made more effective than it has been to prevent the kind of detrimental combinations or monopolies that are referred to in the Act.

Q. Well, have you power to investigate these improper practices listed elsewhere than in the Combines Act; for instance, those listed in the sections of the Criminal Code, to which you have referred?—A. No. Unfair advertising, for example, is a trade practice which is not within our jurisdiction. Other sections of the Criminal Code relate to other unfair trade practices—we have no responsibility for action relating to them.

By Mr. Homuth:

Q. Might I just say with reference to that question that you say, unfair advertising trade practices—you may not be able to answer this question—but, has the Department of Trade and Commerce any organization which does investigate that?—A. The Dominion Trade and Industry Commission, which was appointed in 1935—that legislation is still on the statute books—has the responsibility in connection with that. The Department of Trade and Commerce I understand is taking over certain responsibilities in connection with the administration of it.

Q. Do you know whether they have any organization which actually deals with the matter?—A. I cannot give you any exact information on that.

By Mr. Irvine:

Q. I take it from the statements you made in your brief that there is no legislation in Canada outlawing monopolies per se?—A. No, the provision relates to a monopoly which operates or is likely to operate to the detriment of the public. You asked if the legislation was sufficient, and you referred to the cartel report. Many of these other types of offence relating to cartels cannot be dealt with effectively under the Combines Act as it is now. That is the purpose of the international conferences in which we have been engaged during the last 18 months or more; to see if the different countries of the world, nearly 60 of them were represented at Havana, will not co-operate in agreeing upon a charter and establishing an international trade organization which will assist in preventing practices which may have harmful effects on the expansion of international

trade; it would be designed to remove barriers to the free flow of trade between nations. I think something effective will be done there. The Canadian government has supported that to the limit. And as I said in my statement, I am not too free to comment on what is being done because it is still a matter of consideration in Havana.

Q. As the Act now stands there are definite limitations?—A. Limitations, so far as dealing with fair trade practices, yes.

Q. You also stated that the teeth which sprouted from the Combines Fair Practices Act, by which it would have been possible to make a combine "cease and desist" their unfair practices, were drawn; that is, it was declared ultra vires by a competent court; that is so, is it not?—A. I did not use that language.

Q. No, you did not use that language; I am using it myself. I am using my own.

Mr. FLEMING: It is much more florid and picturesque than a civil servant normally uses.

Mr. MacINNIS: It is American.

By Mr. MacInnis:

Q. The theory of that particular legislation was that it would have presumably given you greater powers, but it was ruled out?—A. You are referring to section 14 of the Dominion Trade and Industry Commission Act?

Q. Yes.—A. That would have given power to the commission administering the Act, and it did for two years, to pass on particular agreements or proposed agreements; and if the commission considered they were not against the public interest it could recommend their approval by the governor in council. At that time several organizations which had been under investigation under the Combines Act approached the Dominion Trade and Industry Commission to ask for approval of their agreements. No such approval was given, probably because the legislation was submitted to the courts for decision as to its constitutionality—that was shortly after, in the latter part of 1935.

Q. Then it is true to say, is it not, that the Canadian people have no control, no effective control over monopolies; that they must submit to an invisible government which has sufficient power to circumvent the policies of our democratic government?

The CHAIRMAN: Mr. Irvine, you are not suggesting that the government of Canada is invisible?

Mr. IRVINE: I am referring to a different aspect of government.

Mr. FLEMING: You are not suggesting that the government of Canada is democratic.

The CHAIRMAN: Order.

The WITNESS: I cannot agree with you that the public is without protection. I think that under the Combines Investigation Act there is protection and that it is being exercised and that it can be more effectively exercised.

By Mr. Irvine:

Q. I am speaking now of monopolies as such?—A. That relates not only to combinations but to monopolies as such. In section 4, of the Combines Investigation Act, or rather in subsection 4 of section 2, the Act says:—

(4) "Merger, trust or monopoly" means one or more persons

(a) who has or have purchased, leased, or otherwise acquired any control over interest in the whole part of the business of another: or

(b) who either substantially or completely control, throughout any particular area or district in Canada or throughout Canada the class or species of business in which he is or they are engaged;

and extends and applies only to the business of manufacturing, producing, transporting, purchasing, supplying, storing or dealing in commodities which may be the subject of trade or commerce: Provided that this subsection shall not be construed or applied so as to limit or impair any right or interest derived under The Patent Act, 1935, or under any other statute of Canada.

That does not complete the definition of an illegal monopoly; you have also to read the last part of subsection (1) of section 2, which says:—

which combination, merger, trust or monopoly has operated or is likely to operate to the detriment or against the interest of the public, whether consumers, producers or others.

Q. Let me put it this way: you have not been able through your Combines Investigation Act to prevent the coming into being of monopolies, have you?—
A. No, not by order; that was made clear by Mr. Justice Duff's judgment on the constitutionality of the present Combines Act when he pointed out the difference between the 1919 legislation and the 1923 legislation. In the 1923 legislation there is no such power of regulation.

Q. And you have not been able under the Act to eliminate monopolies?—
A. The Act does not seek to eliminate monopolies as such.

Q. Let me put it this way. You have not been able under the Act to make a monopoly cease and desist from improper practices?—A. I do not think that can be said either. I think most monopolies are aware of the existence of the Combines Act. Two or three of the cases that we are working on now relate to the monopoly aspect, and as I have had occasion to learn in recent years most of the single firm monopolies—there are not many of them—or these monopolistic groups, are very much aware of the existence of the Combines Act, and do act with the knowledge that this legislation may be brought to bear on their particular practices.

Q. I have no doubt they are aware of that. I imagine that the would-be criminal is aware of the policeman but that does not stop him if he can get away with it, and he very often does.

The CHAIRMAN: That is a matter for argument.

Mr. PINARD: I do not believe Mr. Irvine will want to turn this committee into a political forum. I should like to know in what way this is going to help our inquiry, this type of questioning.

Mr. CLEAVER: You certainly do not stop crime by passing the Criminal Code but you provide for adequate punishment.

Mr. McINNIS: I think the purpose of Mr. Irvine's question is to find out the adequacy of the legislation under the Combines Investigation Act. That is not a political forum or political in any sense.

Mr. PINARD: The type of questioning gave that impression.

Mr. McINNIS: It might have given you that impression, but we cannot be responsible for the impressions that you get.

Mr. LESAGE: May I interrupt for one moment?

By Mr. Lesage:

Q. Mr. McGregor, would it be right to say that the passing of any law by parliament forbidding the association of interests which usually would form a

monopoly or cartel would infringe on the rights of the provinces regarding property and civil rights?—A. The 1919 legislation was definitely found to have infringed on provincial rights.

Q. For that very reason?—A. Exactly.

Mr. IRVINE: That is a part of the point I was bringing out. That certainly limits your power to deal effectively, lack of that legislation.

Mr. LESAGE: Would you speak louder, please?

Mr. IRVINE: I was pointing out that was one of the phases I was bringing out, that legislation was nullified on constitutional grounds.

Mr. LESAGE: Well, what is the use of discussing that? We are not here to change the constitution.

Mr. IRVINE: We are here to find out whether without that power the Act is considerably limited in its powers to deal with the problem at hand. Surely that is a permissible observation, and it may be possible from such an inquiry we may find some other methods of strengthening the legislation.

The WITNESS: May I suggest that the power to issue cease and desist orders may not be as effective as the present legislation, which is of a general character—on this ground, that, if all the organization is going to do at the end of an inquiry is to tell people they must not do it any more, there may be encouragement to others to go ahead with the same practice since no penalty is attached to the commission of the offence. Therefore I think it would be very much less effective merely to have an organization tell people not to do it any more. I think a case brought in court, prosecution and conviction, has more effect in inducing business groups to comply with the legislation than any cease and desist orders that could be issued. The other sounds well. You have put a stop to one thing at once, but I do not think it is as effective.

By Mr. Fleming:

Q. Mr. McGregor, you say prosecution and conviction, but what about the case of prosecution and acquittal?—A. That does cramp our style. We have to look to the courts. If the courts say that certain practices we have brought before them are not offences in the particular circumstances then business will be guided accordingly. If they are not illegal according to the interpretation of the courts then they are not illegal.

Q. Is it not a fact that the effect of the harm that may ensue on acquittal on a prosecution is so great that generally speaking you are disposed to prosecute only in very glaring cases of guilt?—A. That has been the practice, yes.

Q. Because you do not want to take a chance on prosecutions where acquittal is going to result.—A. We have taken chances.

Q. I dare say, but generally speaking you do not take very many chances?—A. No, and I do not think we should. I think we should be pretty well satisfied.

Q. I am not criticizing. I simply want to bring out that fact because I think it is a factor in policy that applies to perhaps more than your commission.—A. Of course, it is not my decision that prosecution should be taken. I merely submit the facts to the Attorney General of Canada and the Attorney General of the province, and it is the decision of those authorities and not mine.

By Mr. Irvine:

Q. In any case I suppose you would admit that imposing a penalty when a corporation has been found guilty will neither abolish the monopoly nor make them cease and desist.—A. The imposition of a penalty does do that. May I use a homely illustration, the parking of cars on the street. If the law is

not enforced then people will park in no parking areas, but when the pink tickets appear then people observe the law, and perhaps they are more inclined to observe the law when the third ticket has been issued and there is a penalty imposed. It is like radio licences. Many people do not renew their radio licence until they see the list of people who have been fined so much for not having radio licences. Then there is a stream down to the post office to get their licences.

By Mr. MacInnis:

Q. Mr. McGregor, what would be the situation in a case where you had got a conviction if the firm or party convicted proceeded immediately with the same practices?—A. My experience is they have not done that, and again I do not think Canadian business men normally would do that. I have found that the practices have ceased when there has been a decision of the court clearly brought down that those practices were illegal. We have checked from time to time on the cases we have had earlier. I think we should do more of that, and it is on our program that we should, but as to the cases I have checked I have found that the practices have ceased. They may not cease forever. Some of the same people who were before the courts twenty years ago have appeared before the courts fifteen years later. It does need continuous application of the kind of treatment that we are authorized to give.

By Mr. Irvine:

Q. They may find a new way of doing the same thing?—A. We will have to take that on then.

Q. Punishing a monopoly for unfair practices will not restore balance in competition. I presume you will be interested in trying to prevent occurrences rather than to merely punish them for allowing it to occur.—A. A very large part of our work is of a preventive character. I would very much rather head off an organization from practices that may amount to an offence under the Act than to have to use the more drastic treatment that the Act provides for.

Q. Am I right in assuming that the best method you have of preventing these occurrences of violations of the Act is by exposure to public opinion, and I presume that would mean that you count a good deal on shaming them, as it were, into proper action?—A. I do not think there is anything more effective than publicity in preventing operations of this kind. I think many business organizations fear publicity much more than they would be concerned about any monetary penalty that might be imposed.

Q. In your experience did you ever find a monopolistic corporation that, although a legal entity, had a soul and could feel shame and feel a sense of responsibility?—A. Yes. Perhaps corporations have no souls but I have found that heads of corporations have souls.

Q. Oh yes, but the corporation is the thing you sue, not the heads of corporations.—A. But it is the heads of the corporations who determine their policies.

By Mr. Fleming:

Q. Excuse me a moment. Is Mr. Irvine correct in saying in effect you prosecute only the corporation? Do you not prosecute the directors as well in cases of this kind where they are parties?—A. There is power to, and on occasion individuals have been included.

By Mr. Irvine:

Q. I am speaking of your action against corporations in particular. In your experience investigating monopolies have you ever come across a corporation with a conscience?

Mr. CLEAVER: Would you repeat that?

Mr. IRVINE: I was asking if he had ever come across a corporation with a conscience.

Mr. CLEAVER: It is only the C.C.F. party that has a conscience.

Mr. IRVINE: It is good somebody has one. I am not asking this facetiously although it may sound that way. I merely want to say that without a conscience a corporation cannot be shamed by any act of public regulation.

The WITNESS: I do not want to be put in the position of defending corporations or monopolies, but I do think in fairness to them it should be said that the corporations that I have had to deal with have had as heads, and their managements have been, people of conscience. Sometimes conscience is pretty elastic. Perhaps I have said enough.

Mr. IRVINE: I think that is right.

Mr. WINTERS: Would it not be just as fair a question to ask if you have ever run into a corporation without a conscience?

Mr. MACINNIS: You had better not ask that.

The WITNESS: Some of them do stretch it a bit.

By Mr. Irvine:

Q. Can you indicate how you proceed to reintroduce competition when you find it has been eliminated by a monopoly which you have no power to stop?—A. I do not think we have come across a situation of the single-firm monopoly. They are not as many as some people seem to think.

Q. There would not be room for very many.—A. There are not very many, but there are some ways of dealing with the merger type and the monopoly type. One way, where there is a monopoly in Canada, is the introduction of competition from outside Canada. That may have a lot to do in restraining a Canadian monopoly from acting to the detriment of the public. There are other ways in which that relief can be applied, other ways that we are examining as possibilities, but I think the one I have indicated can be a very effective one, where there is a tariff, and where there is not an international cartel that controls the allocation of territory.

By Mr. MacInnis:

Q. Taking all kinds of monopolies and mergers into consideration have they increased or decreased in Canada during the past ten years?—A. Monopolies and consolidations?

Q. Monopolies, consolidations and mergers?—A. And price agreements, that kind of thing?

Q. Yes.—A. We did say something in the cartel report. I have a copy of it here. It is on page 56, where we say,

National combinations or monopolies and international cartels are related aspects of the tendency towards concentration of commercial control which has been a characteristic of modern industry and which is, in some cases, the result of technological processes making for large scale operations.

I think there has been a world wide tendency towards that, perhaps not as marked in Canada as it has been in some other countries. When you speak of price agreements, the increase in them, I think there has been quite a little development in that direction because of the considerations I mentioned yesterday. The companies which were brought together during the war period are

continuing, not all to prevent competition, but some of them are inclined to think they should be free to do what government did. They are following the example of government. The danger there is that it means, instead of the kind of control you had in wartime, government of industry by government for the public, there may be a tendency to supplant that by government of industry by industry for industry.

There is a tendency. We have made special efforts to deal with just that type of situation. If you will refer to the documents which we were discussing yesterday afternoon, I indicated that in most of these commodities we were not interested—I should not say not interested—we had no complaints in recent months and we had made no investigations in recent months. One reason may very well be, and it is a fact, that competition is working in most of the fields which are indicated in the four or five pages to which we referred yesterday.

MR. FLEMING: The items in the cost-of-living index?

THE WITNESS: Yes.

MR. HOMUTH: The amalgamation of industry does not necessarily mean monopolistic control. The amalgamation of industry would very often be for more efficiency and, certainly, you cannot say that the amalgamation of industry means monopoly; that is the position Mr. MacInnis takes.

THE WITNESS: May I make a fuller answer to the question which has been asked? I referred only to price agreement and the existence of competition. You were speaking also about mergers or consolidations and acquisitions. I should like to bring to the committee's attention some of the results of the work to which I referred in the brief yesterday concerning consolidation.

In 1934, the price spreads commission published information—in 1935—about consolidations from 1900 to 1933. I have made a table in which those figures are embodied. It shows, in the first thirty-three years of the century, 374 consolidations and the number of concerns absorbed numbered 1,145. Now, we have continued that work pretty much on the same basis. We have excluded acquisitions in the extractive industries such as oil drilling and gold mining, but it does not make very much difference in the comparability of the two tables.

We show now that the number of acquiring companies amounted to 222 against 374 in the earlier period of thirty-three years. In the thirteen year period since 1934 there have been 222 acquisitions. Those figures are based as the other records are based, on the published reports of the companies. For that reason it does not show 1947. The annual reports are not yet available. There were 222 acquiring companies in the thirteen years and 299 acquisitions in that period.

In the earlier period, 1909 and 1910 were years which were marked by a merger movement, there were as many as 51 concerns absorbed in 1909 and 112 in 1910. When you come to the present period, there has been some increase. In 1946 it has reached as high as 63 firms acquired by 40 acquiring companies. The yearly average for the period 1934 to 1946, thirteen years, is 17 acquiring companies and 23 acquired companies. In the thirteen years preceding 1934 the yearly average was 22 and 59.

Now, you are asking if there was a trend in that direction. It has been continuing but is not as marked as it was in the years 1928 and 1929 when you had 145 and 149 companies acquired. It was higher than in 1946, when you had 63.

By Mr. MacInnis:

Q. That would have to be considered in relation to the number of companies in existence?—A. And another consideration should be, too, the total assets of the corporations which were acquired. I am giving you this in a rather tenta-

tive way. Our material is not complete, as I indicated in the brief, but it does give you some answers to the questions in which you are interested; that is the information we have at the moment.

Q. Mr. Homuth made a statement that mergers were not, necessarily, monopolies nor were they for the purpose of getting monopoly. Is it not your experience that mergers tend towards monopoly?—A. Some of them, and some of them do not. Some of them do not acquire enough to give them control of the market and they are still subject to competition from other mergers and other independent units.

By Mr. Irvine:

Q. But, if they merge enough?—A. Even if they do become monopolies, it is not an offence under the Act. It is an offence under the Act if they act in certain undesirable ways, if they act to the detriment of the public.

Q. You have laid considerable emphasis on the need for maintaining a certain measure of competition. I think the Act regards competition as being the chief means of preventing the wrong which a monopoly may do; is that not right? You feel if competition is free there is not much danger of a monopoly doing much harm; is that not so?—A. Yes, but I want to make clear we do not consider that competition is appropriate in all instances. We do not want two telephone companies competing with each other and, therefore, we have another type of control, control by the Board of Transport Commissioners.

Q. You are progressing then. Is not monopoly the natural evolution of free private enterprise through competition?

Mr. HOMUTH: I would not agree with that.

Mr. IRVINE: You could not answer it.

Mr. HOMUTH: I could answer it, but not to your liking.

The WITNESS: I do not think it is. I would rather write you a long treatise than attempt to give an answer offhand.

Mr. IRVINE: I do not ask you to answer anything you would rather not answer.

The CHAIRMAN: I think it is desirable in a committee such as this that very great latitude be permitted. It is my desire to permit it. I think most of your questions have been proper. However, I do suggest there is a type of question which, if we avoid, we are likely to make a more searching enquiry. I am not saying any of your questions are out of order. I am not suggesting that. I think you will understand what I mean.

Mr. IRVINE: I asked that question, Mr. Chairman, in order that I might ask the next one which I am going to ask.

The CHAIRMAN: I am not stopping you.

By Mr. Irvine:

Q. I think the point will perhaps, be more clear now. I believe the tendency has been, in a competitive society, for the most efficiency, to gradually get rid of the least efficient; either absorb them or drive them out of business. So, the tendency has been for larger and larger corporations and that tendency is still persisting. There are many cases, I presume, where efficiency demands that?

Mr. HOMUTH: That is human progress.

By Mr. Irvine:

Q. Human progress, all right, I am quite willing to admit that. Efficiency demands that there be great centralized industries such as we have today; that is the tendency? Now then, since competition has brought that about, how can the

restoration of competition, if that were possible, abolish the monopoly that exists in, by and through the competitive system? I ask that question because, sir, if it cannot be done, there is not much use basing an act on it. There is not much use looking to it for the solution?—A. Now, may I have the question?

Q. How could the restoration of competition, if that were possible, abolish the monopoly or control the monopoly if you do not wish to abolish it, which exists in, by and through competition itself?

Mr. LESAGE: The first thing to do would be to find out whether it is true monopolies exist by and through competition.

Mr. IRVINE: It was for that reason I asked the question.

Mr. LESAGE: You made that statement.

Mr. IRVINE: If that is not true, according to the witness, I pass on. I think it is true in fact.

Mr. MAYBANK: I believe, Mr. Chairman, the question is more an argument than a question. In any event, I do not think it is one which should be directed to the witness. It is quite appropriate as a question propounded in political argument, but for a civil servant to be asked to declare on the wisdom or on the efficacy of the Act he is called upon to administer is not, I submit, proper. It would be a proper question to his minister. This witness is in the position of having been given an act to administer and, as to the reasons for the act he is like the people in the Light Brigade: It is his not to reason why. It is none of his business whether it is a good act or a bad act; his business is to administer it.

By Mr. Irvine:

Q. I asked the question because I had read that most excellent report of Mr. McGregor's in which he deals with this question in a very broad way. I also noticed in his statement yesterday, if I am not mistaken and he will correct me if I am wrong since I am speaking from memory, he did indicate there is a tendency and has been a tendency towards increasing the size of corporations, mergers and combines for a long time, and that tendency still persists. I understood that was the pith of his statement?—A. There is also another tendency towards more active competitive conditions. I think one factor, even since the war, is that many of the younger men who have come back from the war have engaged in independent industry, started up their own small concerns. One of our responsibilities is to see that the larger concerns do not make it impossible for them to enter, or make it impossible for them to continue their operations.

Q. I might follow that up but I do not think I had better. I do not suppose you know of many returned men who have gone into the steel producing business or into aluminum or railroading?

The CHAIRMAN: Do you not think, Mr. Irvine, that we are a little far afield there?

Mr. IRVINE: Well I will not go into that. I will drop it there and go into something more direct.

The CHAIRMAN: Mr. Harkness has a question.

By Mr. Harkness:

Q. This discussion on monopolies, it seems to me, has been of rather a general character and in order to get some idea of how important they have been in our economy, and therefore in raising prices, which is the matter we are trying to get at, I wonder if Mr. McGregor could answer me this? Leaving out of your consideration what is generally known as a natural monopoly, such as the lighting of a town, and also monopolies based on patents, how many monopolies have operated to your knowledge in Canada in the last ten years?—A. Single firm monopolies?

Q. Yes, say monopolies in the distributive trade or the manufacturing trade.—A. I do not think there have been any in the distributive trades.

Q. Then I would submit the total effect of monopolies on raising prices in our economy has been rather negligible?—A. As far as the single firm monopoly, I think so, but there is always the possibility. On paper one can speak about the advantages of monopoly, for example the advantage of large scale production. I think sometimes there is an exaggeration of their efficiency. I think, for one thing, any monopoly which attains that position is in danger of becoming inefficient because there is not sufficient pressure on it to keep costs down and to keep operating efficiently. The element of imagination or venturesomeness is very frequently lost and that is a very important factor in the protection of the public in the matter of high prices.

Q. I think the part we want to get at is what effect monopolies have on raising prices and the economy generally. As I understand your answer, in the last ten years you have had no monopolies in the distributive industries. What do you say about the manufacturing industry?—A. In two or three cases that we are examining, as I have indicated in the brief, the monopoly element enters.

Q. Can you give us any indication of the number of cases of monopoly in the manufacturing industry in the last ten years?—A. The cases in which we have made examination might number a dozen in the last ten years but it is not all single firm monopoly. I think the other is just about the same kind of thing, where you have two or three companies which have what we refer to as monopolistic control. That is the same thing.

Q. What would you say has been the degree to which monopoly has entered into our general economy? Would you say it entered in 5 per cent of the cases or 1 per cent of the cases or what would you say?—A. I do not think I could give you any figures. I would like to be more exact in any statement.

Q. At any rate, I understand from your answer that it has been relatively small?—A. I do not think, as far as the work of this particular parliamentary committee is concerned, that the single firm monopoly is a question to which you would have to give a great deal of consideration.

Mr. FLEMING: Just to follow up that question by Mr. Harkness—

The CHAIRMAN: Mr. MacInnis has the floor.

Mr. MACINNIS: This has relation to Mr. Harkness' question. Mr. McGregor, when the report "Canada and International Cartels" was tabled in the House in 1945 there was a press release tabled with it. That release was prepared by the committee which prepared the report. I have not got the release with me but I have an excerpt from it and I would like to read it.

The CHAIRMAN: Is that the report of the present Chief Justice McRuer?

Mr. MACINNIS: This is what is called the McGregor Report, Canada and International Cartels. The press release had this in it and I say it was tabled along with the report itself. I have a clear recollection of it because the report was tabled following a question I asked of the Minister of Justice:—

The report discloses that in the two decades between World War I and World War II restrictive trade agreements of private interests flourished and spread; and that in so doing they (a) limited production and impeded the most efficient use of world resources, (b) raised or maintained certain consumer prices, (c) restricted the import and export of certain commodities, (d) restricted the use to which certain commodities might be put, (e) nullified external trade policies in certain respects, (f) resisted technological advances in certain fields, (g) created patent pools or monopolies covering wide fields of endeavour, (h) assisted the formation of private industrial empires which tended to supplant governments in the determination of certain national commercial policies.

Is that a fair estimate of the findings of the committee in this report?

The WITNESS: We were referring there to international cartels and I think that is a fair description, but the efforts that are being made to meet that international situation are as I have described them.

By Mr. Irvine:

Q. I have a few more questions and I would like to finish. Has the removal of controls provided greater opportunity for private restrictive arrangements affecting trade?—A. I think in many instances it has and in many it has not. I think in many industries and trades the ceiling prices were regarded as also the minimum price. The reaction was this—it is a fair price fixed by the government so why not take it, and I think you will find in many decontrolled items there has been a marked decline in prices for that reason.

Q. Have any actual instances been found where the removal of controls has been followed by such restrictive arrangements as might affect prices?

The CHAIRMAN: Would you repeat that question again?

By Mr. Irvine:

Q. Have any actual instances been found where the removal of controls has been followed by such restrictive arrangements as might affect prices? —A. In our annual report that was tabled recently, you will find on page 4 several instances referred to:—

Following the suspension, in January 1947, of price ceilings under Wartime Prices and Trade Board orders on a wide range of commodities, several instances of common action to increase prices by firms in the same industry or trade were disclosed. In one instance it was reported that a number of manufacturers in one locality had accepted as a guide in increasing prices a minimum percentage advance over the prices prevailing under the price ceiling. In the preliminary inquiry which was made in this matter it was represented on behalf of the manufacturers concerned that the prices of products made by them were not the same, and that their discussion of price increases was an extension into peacetime conditions of a method of joint representation developed in the period of emergency price control. As no conclusive evidence was found that the arrangements were of the type contemplated by the Combines Act, it was decided to postpone further inquiry and to re-examine conditions at a later stage in order to determine whether the industry is subject to the competitive conditions which its members claimed were prevailing.

In the subsequent paragraph, I will not read it, we described what was done in industries where we had reason to believe that something might be wrong. We take our cue either from uniform prices, or uniform price increases, or unusual prices that indicate there may be combination at the bottom. Wherever we find that type of thing it is our cue, and we proceed to apply the act. But again, we have to get evidence that they have done these things. It is not sufficient for us to think, we have got to get proof before we can take action. Even though we do not get proof it may be that the effect of investigation will be salutary. It is a warning, if you like, and it is preventive action.

Mr. DYDE: Just for the record would you mind identifying the report from which you just quoted?

The WITNESS: It is the Annual Report of Proceedings under the Combines Investigation Act for the fiscal year ending March 31st, 1947.

By Mr. Irvine:

Q. In order to arrive at the cause or causes of price increase for any one commodity such as say bread, would it not be necessary to examine any increase in the price of any commodity or service which might enter into the price of bread?—A. That we have done where there are indications of uniform prices or unusual prices which seem to indicate a monopoly. That is what we have done in dealing with bread. I told Mr. Fleming yesterday that we have been engaged in an inquiry into the flour milling industry.

Q. I am asking that because we have mentioned bread and other foodstuffs which we will probably inquire into in detail and it was to have information with regard to that inquiry that I asked the question. If we are to arrive at a proper solution must we not find all the costs that enter into the price of bread which would imply perhaps investigation into many of the monopolies which seem to be a long piece away from the table.

Mr. FLEMING: Why would Mr. Irvine confine that to monopolies?

By Mr. Irvine:

Q. I do not confine it to monopolies, I mentioned them as an example because we have been speaking mostly about them.—A. We engage in inquiries wherever we find indications of combination to fix prices. That is our part in the picture, and yours—well it is not for me to suggest what the course of the parliamentary committee should be.

Q. All I wanted was your opinion as to whether it was not necessary to inquire into all the costs that go into bread as well as the price paid for wheat, or wages to the baker, and so on? Gasoline might be a factor in the price of bread?—A. Of course, if you do that, the inquiry will be rather a prolonged one. We made an inquiry into the bread baking industry in 1931 and the report did go into a lot of those elements, but it took months to produce.

Q. Let us follow it a little further then. Yesterday afternoon Mr. Fleming went though a list provided by the Bureau of Statistics as a basis for computing the cost of living and you had indicated that you had suspicions of certain industries in regard to price increases. I was wondering whether in connection with the wider investigation you would be prepared to say whether you had found aluminum to be a monopoly?—A. Do you mean a detrimental monopoly?

Q. No, I am now speaking of just a monopoly.—A. No. Do I take it you are going through a companion list to Mr. Fleming's? I just want to be prepared.

Q. Yes, I have a companion list of a wider field. I understand on page 34 of the report on cartels that you referred to aluminum as a monopoly?—A. Most of the cases we referred to here in the cartel report are referred to as international cartels. We have dealt with some of them in a more particular way. Some of them are listed here. In the case of aluminum we have not made any inquiries to any extent. We gather information wherever we can as we are going on with all our work but we have not made any specific inquiry into the aluminum industry.

Q. I am not asking you whether aluminum has violated the law, I am asking you whether you think it would come under the term monopoly, or would it be a cartel, or would it be just an ordinary small company?—A. We included here some examples of cartel arrangements.

Q. Yes?—A. But all cartel arrangements are not offensive.

Q. I am not suggesting they are offensive; I am just asking you that question: would you say that nickel is a monopoly?—A. In Canada, yes.

Mr. LESAGE: Would it be fair if the witness could have Mr. Irvine first give a clear definition of what he means by "monopoly"?

Mr. IRVINE: The witness has already given that definition to which I have not taken exception, and I assume that it stands.

Mr. LESAGE: I think the witness has indicated two types of monopoly.

Mr. JOHNSTON: Yes. There is that kind of monopoly which results in efficient operation and production and thereby achieves lower cost, and the witness has also indicated other types of monopoly which exploit the public. I quite agree with Mr. Lesage there should be some definition as to how you apply your terms. I have no objection to your asking the question at all, but I agree with Mr. Lesage that there is a difference between the two types.

Mr. IRVINE: If the witness wants to distinguish as we go along that is all right with me; but I will not, as far as I am concerned.

The CHAIRMAN: I think we are concerned with those monopolies which do have an effect on price increases.

Mr. JOHNSTON: You mean a detrimental effect?

The CHAIRMAN: A detrimental effect, yes; would you agree with that?

Mr. IRVINE: I do not know the ramifications of these various types, whether or not they affect prices; for instance, whether or not it is going to affect the price of bread or the price of canned fruits. But who shall say they do not? That will be for somebody else to say.

Mr. HOMUTH: Would you mind naming three or four of these monopolistic controls which are detrimental? We have not heard about them here.

Mr. IRVINE: I was going to ask, Mr. Chairman, if from a list I have here the witness would go over them as we did over the list yesterday and indicate which amongst them through the inquiries made by the commission they have reason to suspect of being unfair or affecting prices.

Mr. JOHNSTON: That is fair enough.

The WITNESS: In many of these cases we have been seeking information without starting any type of formal inquiry. Perhaps you could not even call it a preliminary inquiry. We are gathering information which we hope will enable us to determine whether we should go on any further. And on all of these subjects we are assembling all the information we can which relates to our particular part of the problem. We do not bother with technical things, we start in on the monopoly aspect or the combination aspect to see if we can get any evidence bearing on that.

Mr. MacINNIS: That is the routine part of your work in that branch?

The WITNESS: Yes.

Mr. MAYHEW: Perhaps it would be a good thing if Mr. Irvine would indicate to you a monopoly which might be increasing the cost. That might be very helpful to you if he were to do that. If that is what he has in mind we might as well do it. It may be a long step forward.

Mr. IRVINE: I was going to go over a long list of products and companies.

Mr. MAYHEW: As long as it is for the purpose of giving Mr. McGregor names and information.

Mr. IRVINE: Only if he has information that this committee should have with respect to that. I am not trying to hamper in any way. I am trying to facilitate the investigation which is going on. It may be assumed, Mr. Chairman, that all prices are in some way related and that the price of bread may be affected by a very remote price in other commodities, and that we ought to know if there exist in Canada monopolies which are violating the law, or which there is reason to believe are violating the law. We should know who they are in order that we might have further examinations of them. I have mentioned

aluminum and nickel. I am going to go on. There is acetic acid, one of the most important chemicals in industry. Is that a monopoly? Have you done any investigating for that industry?

The WITNESS: What information we can get we have put together. May I just refer for a moment to one point, which I thought I had made sufficiently clear in my discussion yesterday, although possibly I did not. It was disclosed that we had made inquiries into different items in the cost-of-living index. Now, that is not to be taken to mean that we have evidence of detrimental combines. It merely means that we are trying to find out if there are such combines. I think of two of the items that we mentioned yesterday, tea and coffee. Now, it should not be taken that because we have made certain inquiries into those fields, therefore there must be something wrong. We are trying to find out whether there is something wrong. If, as we carry on with a case, we find that there is no evidence sufficient to justify going further, we drop it.

By Mr. Pinard:

Q. Take the evidence you have received as a result of your inquiries up to the present time and which you mentioned yesterday; if this information relates to hoarding, profiteering or price fixing it would be of use to us?—A. I think I indicated that very little of our work relates to hoarding or profiteering; although there is one section of the Act which refers to the limiting of production that may be hoarding. The same thing with profiteering; but again, that may be the result of price agreement. Generally, the kind of thing which is referred to us is price agreement, or unreasonable prices which suggest there may be price agreement at the bottom.

Q. And you only have general information as to price agreement?—A. I do not think we have evidence of price agreement. That is what we seek; we think that there might be price agreement at the bottom of some uniform prices or uniform price increases. We start off without evidence. That is our job, to find out if there is evidence of it.

Q. But you do receive complaints from people?—A. But that is not evidence, of course.

Mr. HOMUTH: This committee is doing a good job lowering the cost of living in this country.

Mr. IRVINE: Mr. Chairman, I have explained to the witness that he would not be expected or asked to reveal any information which might be harmful to any investigation which he now has under way. I am merely asking that in regard to these commodities that I mention here that the witness will give us the same answers, or answers comparable to those which he gave yesterday in respect to another list which was offered by Mr. Fleming; and, I hope that that is in order.

The CHAIRMAN: What I think we should keep in mind, Mr. Irvine, is that we have the immediate job of trying to find out the cases of price increases. It is obviously difficult, unless one knows the full range of your questions to know exactly what is sought. I think I should say we should try in so far as it is humanly possible in questioning to keep that objective in mind. It may be that as we get further evidence in respect to specific commodities, a lot of these general questions may have a more particular bearing, or they may be found to have no bearing at all. That is a matter of evidence. But I do suggest—I do not want to restrict you at this point—but I do suggest that we should bear in mind that our immediate objective is generally to find out the number of circumstances that lead to high prices, and I do suggest we should keep that in mind. I had not wanted to restrict your questions at this stage, but I know that you will bear that in mind.

Mr. IRVINE: I was trying to, Mr. Chairman. I imagine that if we knew exactly where the root of this thing lies we would be able to forgo a lot of this questioning. The real point of the matter is that we do not know where to look. We have to try to find the proper place to look. That is why I am asking these questions.

The CHAIRMAN: I should have thought the witness in his general statement, in paragraphs 12, 13 and 14, pretty well covered that field. There he suggests—if you want to pursue the general question in a fruitful field of exploration—specifically broad, in respect of retail price maintenance, price agreements, price leadership and that sort of question which would perhaps bring us down to the practical situation more directly.

Mr. IRVINE: Well, in asking some questions here about certain commodities the witness might say whether any investigation has been made in respect to them or whether the company which manufactures the commodity practises price leadership or is regarded as a cartel, monopoly or whatnot, as he goes along, so as to meet the requirements of the questioner, much in the same way as he did in dealing with Mr. Fleming's questions yesterday. I do not wish to pursue a course which is not acceptable to the committee, Mr. Chairman. If this is not going to help us find what we want, let us stop. I thought it might. If it does not—

Mr. JOHNSTON: I think, Mr. Chairman, that if there are any monopolies as Mr. Irvine indicates which are detrimental to the public, that is a different thing and probably one of the things we want to get at. If the witness would point out any monopoly which appears to be detrimental that might be a place where we could extend our inquiry; but, generally speaking, the term "monopoly", I think, is rather too widely applied.

Mr. CLEAVER: I think too, Mr. Chairman, Mr. Irvine should direct his questions in a more definite fashion. You see, there are monopolies in the field which are highly competitive. For instance, take the soft drink field. The Coca Cola company has a monopoly on Coca Cola, yet they are in a field which is highly competitive, the soft drink field. Take aluminum if you like. Aluminum extends now into the housing field. So also does copper. If aluminum has any monopoly I suggest that it is not in an exclusive field but rather in a competitive field. And I think Mr. Irvine should distinguish between monopolies which have an entire field, and monopolies which are simply monopolies with respect to one type of product in a competitive field.

Mr. MACINNIS: I think, Mr. Chairman, Mr. Irvine stated he was asking questions or trying to elicit information similar to that brought out yesterday by Mr. Fleming; and that being the case I think the questions should be asked in a simpler way. That is, the information he wants from Mr. McGregor. It was not a question as to whether there was a monopoly at all. It was a question of whether there were any complaints or any investigations into certain commodities. That is the way it appeared to me.

Mr. FLEMING: Yes, of hoarding, profiteering or price fixing. It is not a question whether there is a monopoly or a monopolistic tendency as such. It is a question of whether there are such conditions that hoarding, profiteering or price fixing have existed.

Mr. IRVINE: That was my point. I may not have asked my question in the proper legal form, but that was what I was aiming at.

The CHAIRMAN: I am not going to hold you down to putting questions in legal form, but it did seem to me your questions were with regard to monopolies as such and not with regard to the specific purpose for which we are gathered here.

Mr. IRVINE: Many of my questions have been on that line but I had switched from that to this particular thing.

The CHAIRMAN: Let us see how we get along now.

Mr. IRVINE: It will not take long. I can easily go over this list. I had mentioned acetic acid, and I think the witness has replied that they had some information on that.

The WITNESS: Perhaps I could save time by saying that with respect to any of these I am not prepared to say that I consider they are monopolies that act against the public interest.

By Mr. Irvine:

Q. I am not pressing that question at all.—A. If I could give yes or no to a question such as this, are you engaged in securing information—

Q. Or if you have had any in recent months.—A. Of course, we are engaged in gathering information probably on all of the items on the list, but are we engaged in some specific inquiries, even if they are of a preliminary character? I could give you yes or no to that.

Q. Is that the same yes or no you gave yesterday?—A. I think it covers the same ground. I should like to put it on a uniform basis.

Q. I want to put it on the same basis as yesterday. I am asking for no more. How about soda ash used in manufacturing glass, textiles, and chemicals?—A. We have information and we are gathering information, but we are not making any specific inquiries.

Q. Matches?—A. Yes, we are making specific inquiries.

Q. Electric lamps?—A. A keen interest in it, is perhaps the best way to put that.

Q. Pardon?—A. A keen interest in the problem.

Q. Sulphur?—A. If it is related to matches, yes.

Q. Calcium carbide?—A. We have made some inquiries. I think probably I should say no to the question.

Q. Calcium cyanamid?

Mr. PINARD: Is the list very long?

Mr. IRVINE: Two pages.

Mr. PINARD: Because I fail to understand how this is going to enlighten the committee in any of its work.

Mr. MAYBANK: I wonder if Mr. Irvine would be willing to give the list to Mr. McGregor and ask Mr. McGregor to reply in that way. It would shorten things.

Mr. IRVINE: I have no objection to doing that if the committee would rather have it that way.

The CHAIRMAN: It might be more expeditious.

Mr. IRVINE: That is satisfactory to me. I will hand this list to Mr. McGregor and he will answer yes or no to them for the record. I think you had got down to sulphur.

Mr. MAYBANK: Could he not file an answer after going over it? Would that be satisfactory?

The CHAIRMAN: Mr. Irvine indicates that is satisfactory. You can file the answer.

The WITNESS: All right.

(Witness subsequently filed the statement which follows).

In respect of the following commodities included in that list, the Combines Investigation Commission has made specific inquiries within recent months into alleged price fixing:

Gasoline and Oil
Rubber Footwear

No such specific inquiries have been made in respect of the following commodities, but information regarding them is being assembled as it becomes available:

Dyestuffs
Ammonia
Chlorine
Hydrochloric Acid
Sodium Sulphate
Caustic Soda
Carbon Disulphide
Explosives
Titanium Pigments
Cellulose Acetate Yarns
Rayons (Viscose) Yarns
Telephone Equipment
Equipment for Wireless Telegraphy
Brass, Copper and Nickel Silver
Steel Tubes
Automobile Wheels, Hubs and Drums
Automobile Cylinder Blocks
Steel Rails
Primary and Finished Steel Products
Cement
Electrical Power Generating Equipment
Lead and Zinc
Agricultural Implements
Bathtubs, Lavatories, Sinks
Newsprint
Gypsum, Lime, Alabastine, Wallboards
Fertilizers, (Mixing)
Fertilizers (Nitrogen)
Asbestos

The CHAIRMAN: Any other questions?

Mr. HARKNESS: I have one or two.

By Mr. Harkness:

Q. In paragraph 6 of your brief you say:

Throughout the war years concerted action on the part of producers and distributors was encouraged rather than discouraged by government agencies, and quite properly.

Further down you say:

Perhaps it is only natural to expect that some industries might be tempted, once the state discontinues the fixing of maximum prices in the public interest, to substitute fixing of minimum prices in their own interests.

I wonder if you could give us any industries in which this carry-over from more or less enforced combinations in war years exists still?—A. And where there has been decontrol?

Q. Yes, where there has been decontrol, but where there has been a sort of carry-over of the wartime combination which was more or less enforced on these industries.

The CHAIRMAN: Where does that sentence appear?

Mr. HARKNESS: It is at the top of page 3, paragraph 6.

By Mr. Harkness:

Q. What I am looking for is a lead as to where we may spend our time profitably in investigation.—A. The commodities referred to in the discussion yesterday afternoon as articles in which we were interested now, in which we are engaged in inquiries include such items as tea and coffee. There was participation by the heads of the industry in the war control effort, and you still have your tea and coffee association, but again the Act is not designed to prevent trade associations. Our work is merely to find out if a particular association is engaged in the kind of activities that amount to a contravention of the Act. You have asked for an instance. That is one.

Q. Would it be correct to say those two sentences which I have read from your brief would apply to all of the commodities which you indicated yesterday were under investigation?—A. No. I say in the second sentence:

Perhaps it is only natural to expect that some industries might be tempted, once the state discontinues the fixing of maximum prices in the public interest, to substitute fixing of minimum prices in their own interests.

I am not in a position to say that they have done that. If they have done that we will publish the facts when we have concluded our investigation, but I am not in a position to say now that any of these groups have fixed minimum prices. If they did and it extended over a considerable extent of territory it might very well be an offence under the Act.

The CHAIRMAN: We might find out that information for you.

By Mr. Harkness:

Q. At the present time you do not know of any specific case in which an industry has been tempted to continue their wartime combination, we will say, or concerted action?—A. I would be expressing judgment on the case if I said that now, and we cannot come to a conclusion until we have come to the conclusion of our investigations.

Q. You are not in a position to give us any definite information as to those two sentences?—A. No, I am not.

The CHAIRMAN: I do not want to curtail the committee but it may be at this stage we have gone far enough with this witness. We may want to call him later in the light of evidence that may come before us.

Mr. MAYBANK: I think he would welcome a return engagement.

Mr. IRVINE: We would welcome it.

The CHAIRMAN: We have Mr. Christensen here and without in any way restricting any one of us I thought we might say we have completed this witness for the time being at any rate. We may want to deal with Mr. Christensen and others who are here.

Mr. HARKNESS: I have one more question.

Mr. MERRITT: There is one question I want to ask.

The CHAIRMAN: Mr. Harkness is not finished.

By Mr. Harkness:

Q. It is in connection with resale price maintenance paragraph 12 on page 6. I would take it you do not as a general rule look on resale price maintenance

as an inimical practice. I am thinking of the best example I know of, the case of automobiles in which every automobile dealer has the price set by the manufacturer, and he is required to sell at that price. That is the general practice and commonly accepted, and the same thing applies to a considerable number of other commodities. I take it from the fact that the situation exists you do not look on resale price maintenance as a bad practice as far as a large number of commodities are concerned. Is that correct?—A. I have indicated in a later paragraph, paragraph 18, that:—

One cannot deal with the problem of resale price maintenance without recognizing that some manufacturers may have some justification.

I have taken a pretty strong attitude in this brief on the question of resale price maintenance. I realize that a case can be argued on the other side. If these issues were all capable of being referred to as black and white it would be a very much easier job of administration. Here is a case where I think you have to examine the particular commodity and the particular circumstances in every instance.

Q. Then in a large number of cases, as I have just said you do not consider there is anything wrong in that and you make no effort to stop it. Automobiles are one example.

Mr. CLEAVER: Of course, the automobile field is highly competitive is it not?

Mr. HARKNESS: I should like the witness to answer the question.

Mr. HOMUTH: Cigarettes, whiskey, everything else.

The WITNESS: I do not like the tendency, but there are many of these cases that we cannot do anything about, where I am quite satisfied the court would not condemn it because of particular circumstances. I do not like it at all because it does eliminate price competitions at a very important level, the distribution of goods, and where you find distribution costs have risen so high in recent years it is desirable to have some factor there to prevent that. I think resale price maintenance is doing a great deal to make the whole price structure rigid. Even though manufacturers in the same field are competing with each other on the manufacturing level in their selling prices it does have the effect of guaranteeing the people in between higher margins than they might get if competition were free in these commodities.

By Mr. Harkness:

Q. Personally I am inclined to agree with you that it is not a good practice but the question I wanted answered really was whether it is not against the law and you do not really prosecute cases of it? Is that the situation?—A. Some of the cases that we have under review now involve the principle of resale price maintenance. There is the bread case in the western provinces but I must emphasize again that we must have proof, the investigation has been started in order to find out if that is the practice. That is one case and I feel it will come up in cases time after time.

Q. Would it be true that this resale price maintenance is not contrary to the provisions of the Combines Act, unless it is part of a general combine amongst a group of producers or distributors to maintain prices?—A. I think that might be narrowing us down too seriously. In the P.A.T.A. case, in the late twenties, we dealt with an organization which included manufacturers, wholesalers and retailers in one association. The findings there were very definitely against that practice. When you come to the other type, I should not like to say, in advance of an enquiry into any one of them, even that it is probably all right. I would rather examine each case on its merits and then come to a conclusion.

Q. There is no general rule, in other words?—A. No.

By Mr. Cleaver:

Q. Do you distinguish sharply between a retail price which is fixed by the manufacturer and a retail price which is reached by combination amongst the retail trade?—A. If there is pressure brought to bear on the manufacturer from all the members of the trade, that would be a more serious case. If it is a manufacturer who does it on his own, I do not say it is all right, but there is more difficulty there. An individual manufacturer should be free to sell his goods at his own price; perhaps not on what terms he likes, particularly if those terms include conditions as to the sale of the goods at later stages, by retailers, for example.

By Mr. Merritt:

Q. In your enquiries and checks which you have made, have you ever broken down the 35 cent price of a packet of cigarettes into its component parts?

—A. Are you referring to cigarettes or any product?

Q. This package of cigarettes which I have in my hand?—A. Our normal practice is not so much to be concerned about the component parts of the price. It is the way in which the price is set. It is not for us to determine whether the price is a reasonable one.

Q. You have never actually done it?—A. I have done it for my own amusement. I have nothing in my official records.

Q. Recently?—A. Mr. MacKeigan reminds me that, in the report on the tobacco products case which led to the prosecution in Alberta, there were some particulars given; but that was not the basis of our case, that they had operated on unreasonable prices.

Q. I quite understand that. I mean, in the last three or four months or six months, have you broken the price down to get its component parts?—A. No.

Q. I know that would not be what you were after, but I think it would be interesting to the committee.

By Mr. Pinard:

Q. In view of the recent increase in the price of cigarettes, would you be able to comment on the justification for this rise in price?—A. No, I could not, not as to the reasonableness of the increase. I do not know the answer to that.

MR. FLEMING: I have a few questions to ask but I do not think we ought to keep the witnesses in regard to fruits and vegetables waiting. If it is understood Mr. McGregor is to come back, I would confine myself to three or four questions. Will he be back?

The CHAIRMAN: It will depend on the committee.

By Mr. Lesage:

Q. I have only one question to ask, Mr. Fleming. It will not be very long. Would you look at paragraph 19 of the brief? Speaking of price leadership and resale price maintenance, you said this:—

Fuller examination may also lead to more effective public safeguards being devised and applied. The work of this parliamentary committee should contribute to that objective.

Could you enlarge on that? Just what had you in mind in saying that?—A. Well, I think if the public were more aware of what is done under a price leadership system, they might find means of protecting themselves. If they were aware of the way in which prices were made or determined, they might take advantage of the ways in which those who are not prepared to follow the leadership are ready to serve them.

Q. It would only be action by the buying public?—A. That is one way.

Q. That would be one way, but you say, "public safeguards being devised and applied." You did not have in mind any statute?—A. No, but in our group it is one question which has been a subject for discussion—

Q. Yes, I suppose so.—A. —very frequently, to see if there is not something we can devise. It has not been found in the United States but it is something to which we turn our minds regularly—is there not some way in which that could be prevented? Frequently, it does have very much the same effect as price agreement itself. Sometimes, of course, if you follow it back far enough, it is price agreement.

Q. But, up to now, you have not found any text of a proposed statute which would cover the situation fairly for everyone?—A. I confess we have not.

Q. Well, I do not think we can, here and now.

By the Chairman:

Q. But the witness has suggested we might fairly disclose the elements which come into the process of price leadership and by the dissemination of that information, we might serve a valuable purpose; that is your suggestion, Mr. McGregor?—A. I think there is nothing that could be more effective than publicity, and no agency could be more effective in giving publicity than a committee such as this.

By Mr. Fleming:

Q. Yesterday, Mr. McGregor indicated there were some—I think it was eight—commodities in the cost of living index as to which he has information or evidence that, recently, there has been hoarding, profiteering or price fixing?—A. Not that there has been; we are working on it. We are seeking to find out if there are conditions of that kind.

Q. Your answer was, as I understood it, that you had evidence or information as to profiteering, hoarding or price fixing in recent months?—A. Complaints, we had complaints and we were proceeding on cases of that kind.

Q. Very well. I take it that work on your part or on the part of your commission would have continued quite apart from our enquiry here; is that correct?—A. No question.

Q. So, it would be a matter of the committee deciding, in conference with you, whether we are going to take that work over now, is that correct? Is it going to be expedient for you to continue your enquiries while this committee is holding its sittings?—A. I think there may be different methods in the two organizations. I am looking primarily for price agreement, while this committee is concerning itself with inordinate prices.

Q. Perhaps we had better leave that question for further consideration with Mr. McGregor, Mr. Chairman. In those cases, do I understand that the investigations were undertaken on the initiative of the commissioner or not?—A. I think most of our enquiries are begun on the initiative of the commissioner. Very rarely is it started on the basis of a formal application under the Combines Act. Where we receive complaints, we make certain enquiries. If we feel we are justified in going ahead, we go further with the case.

Q. So, I would be right in inferring in all these cases you received information or complaints and then you commenced your investigation?—A. No, in some of these cases we did not receive any complaints. We sought information about the uniform prices or the unusual price increases. We checked with the prices board as to how prices were moving in certain fields and where there were indications that useful work could be done in that direction, we started on that work.

Q. So, your enforcement officers are watching the trend in prices in all parts of Canada as to these commodities entering into the cost of living?—A. Not on all commodities. The whole field would be beyond us, but where we come across evidence in trade journals or through prices board publications or from other sources, that prices are out of line, we take a look to see if we should interest ourselves in that field.

Q. When you were replying to some questions by Mr. Irvine this morning, you indicated, of course, that you do not prosecute but prosecution is undertaken by the Attorney General of Canada or by the Attorneys General of the provinces?—A. Yes.

Q. Have you had any cases where you have recommended prosecution and your recommendation has not been followed?—A. I know of no instance.

Q. In every case where you have made a recommendation, prosecution has followed?

Mr. MAYHEW: Do you recommend?

The WITNESS: Mr. Mayhew raises the question as to whether I do recommend. I merely place the facts before the Attorney General—first the Minister of Justice, and then the Act authorizes me to refer the evidence and the report to the Attorney General. I do that, actually, without recommendation.

By Mr. Fleming:

Q. Put it the other way; has there been any case where prosecution has not followed in which you have made investigation and which, in your opinion, justified prosecution?—A. Certainly not in recent years. I would have to bring my memory back to bear on the earlier years.

Q. In order to save time, I think if we could have Mr. McGregor back, I will discontinue my questioning now. There is one other matter, but probably we should not ask Mr. McGregor for this information as we can probably get it from the Secretary of State. Mr. Irvine asked about the tendency which may be developing towards larger and larger corporations. I think we ought to have statistical information from the Department of the Secretary of State as to the number of corporations there are in Canada. His office may not have all that information, since account would have to be taken of the companies under the Provincial Companies Act. It is my opinion it will be found there is a great increase in the number of corporations in Canada. However, perhaps we should not ask Mr. McGregor for this information.

The CHAIRMAN: Thank you, Mr. McGregor, for your information.

Mr. MACINNIS: Would you not want something more than that. You would want the capital of the companies as well, otherwise the information would not be of any particular value.

The CHAIRMAN: We will proceed with that at a later date.

Mr. FLEMING: Yes, perhaps the steering committee could deal with the question.

The CHAIRMAN: The next witness is Mr. George Christensen.

Mr. George B. Christensen, National Food Director, retail Merchants' Association of Canada, sworn:

Mr. DYDE: Mr. Chairman, you will understand of course, that there has been no preparatory work in connection with Mr. Christensen's evidence and if I ask him some questions I hope it will be for the purpose of shortening the proceedings and helping him to give us the material that he would like to give us.

By Mr. Dyde:

Q. Mr. Christensen would you give your full name please? You will have to speak quite loudly because the accoustics are not good in this room.—
A. George Bernard Christensen.

Q. And your office or post?—A. You mean my job?

Q. Your job, yes?—A. I am National Food Director of the Retail Merchants' Association of Canada.

Q. And your address?—A. The office address?

Q. Yes?—A. 86 Adelaide St. E., Toronto.

Q. Now, Mr. Christensen, the committee is aware that in newspapers, and I am referring to newspapers of last week, statements have been made or you have been quoted as having made statements which have found their way into the press in which you have made certain, shall I call them charges. The committee would like you to feel free to give us all the information that you have with regard to those charges. Do I need to refresh your mind about the papers in which the statements have appeared? I am referring to the *Toronto Daily Star* of February 13 for one. Perhaps that is the main one that I have seen but there may be others.

Mr. MAYBANK: Mr. Chairman, just a moment. I notice Mr. Christensen looked a moment ago toward one of his associates and it occurred to me he might like to have some person sit along with him. It is very often helpful.

The WITNESS: You will remember, Mr. Maybank, that I did not want to come here without Mr. Jamieson. He is our expert in fruit.

Mr. MAYBANK: The practice has been that if a witness wants some help from an associate he gets it.

The CHAIRMAN: Come along then, Mr. Jamieson, you will find us just as friendly up here as back there.

Mr. FLEMING: Did you say unfriendly?

Mr. JOHNSTON: In view of the fact that it is five to one would it not be advisable to have the story start at 4.00 o'clock instead of getting a piece of it now?

The CHAIRMAN: The meeting is adjourned until 4.00 o'clock.

The meeting adjourned at 12.55 to meet again this afternoon at 4.00 o'clock p.m.

AFTERNOON SESSION

The committee resumed at 4.00 o'clock p.m.

The CHAIRMAN: The committee will come to order.

Yes, Mr. Christensen.

Mr. George B. Christensen, National Food Director, Retail Merchants' Association of Canada, recalled.

By Mr. Dyde:

Q. Mr. Christensen, we broke off just after a few preliminary questions for adjournment. Now, may I ask you if you have in the meantime been able to put yourself in a position to make a statement to the committee?—A. Mr.

Chairman, I am sorry that I did not have sufficient time to prepare a brief. Our attorneys advised me that I ought not to come here to this hearing until I had prepared a brief with their assistance and also had our attorneys with me, but I took the matter up with the executive which was in session in Toronto yesterday and they gave me permission to come here and do the best I could myself. I worked there late yesterday with our own investigation and took the train up here last night and worked until 1.30 o'clock this morning on the train trying to prepare something, and I would now like to make that statement.

I am George Christensen, National Director of the Foods Division of the Retail Merchants' Association, an organization of independent food retailers formed for the purpose of improving the efficiency and protecting the interests of the so called independent merchant. I have been engaged in the distribution of food, retail and wholesale, for more than forty years. My experience covers the retail meat business, wholesale meats and produce, wholesale groceries; and, immediately after the First World War I helped to establish the first large chain or self-service food stores in North America; namely, the Piggly-Wiggly, with headquarters at Memphis, Tennessee. I continued to establish retail food markets, wholesale warehouses, bakeries, dairies, etc., in many parts of the United States and in Canada from Winnipeg west. I retired from the business in 1935 and remained in retirement until after the Wartime Prices and Trade Board was established when I became liaison officer to the food trade, big and small business alike. In 1945 some of my friends with the food industry persuaded me to leave the Wartime Prices and Trade Board and to organize the present Foods Division of the Retail Merchants' Association of Canada. Since the formation of the Foods Division of the Retail Merchants' Association their former small number has grown to approximately 16,000. On January 19 and 20 of this year the national executive of the foods division met at Toronto. Fruits and vegetables, fresh and canned—pardon me a moment. Yes—fruits and vegetables, fresh and canned: the extremely high prices of the majority of same, was the main topic of discussion because of the exorbitant markup or margin of profit taken by some of the wholesalers, particularly by some Toronto fruit wholesalers, on food in short supply; and more particularly oranges, lemons, grapefruit, celery and cabbage. The outcome of the discussion was that I was instructed—I was instructed to investigate fully the situation we were facing in Toronto and if in my opinion the markup or margin of profit being demanded by the wholesaler appeared unreasonable and unjust then I was to submit my findings to the proper government official in order to find out what action should be taken. The foods division engaged the services of Mr. W. S. Jamieson, a food merchant, to assist me so that we would be able to lay before this Ottawa committee reliable evidence of gross profiteering and other unethical trade practices in the wholesale and retail food business or industry in Toronto and certain other localities of Ontario. All our members expect rough justice, but they all demand some kind of justice.

Mr. Maybank telephoned me in Toronto shortly before noon yesterday and asked me to attend the inquiry here today so that Mr. Jamieson and myself went into a series of conferences with wholesalers, manufacturers and other buyers and food retailers regarding ways and means for revising the prices of food and grocery products in general. We have a great number of invoices from wholesalers and retailers and letters from retailers and other information pertinent to these cases that we would now like to lay before you.

The CHAIRMAN: Just proceed, Mr. Christensen.

Mr. LESAGE: Has any thought been given to the manner in which we are going to classify all these exhibits?

The CHAIRMAN: We haven't got any exhibits yet so we do not know what we will do with them.

Mr. LESAGE: No, but he said he had a lot of invoices.

The CHAIRMAN: Yes. I think we will have to have a list first and then decide how to handle it.

Mr. MAYBANK: I rather thought from the way Mr. Christensen broke off there that perhaps questioning now in pursuance of your statement might be desirable by counsel; but I do not know. Is that the way you wanted to proceed, Mr. Christensen? Or, did you just intend to take up these invoices and tell the story behind them?

The CHAIRMAN: I think that if the witness was just allowed to proceed, counsel is at his disposal, and we will see what the statement develops into.

The WITNESS: I might say that a number of retailers furnished us with these invoices and asked that their names be not disclosed.

Mr. McCUBBIN: What is that, again?

The WITNESS: Most of the retailers who supplied us with these invoices insisted that their names would not be disclosed.

Mr. WINTERS: Are their names on the invoices?

The WITNESS: Oh, yes. They don't want them made public. In some instances these invoices are from the only wholesalers in their part, the only wholesale from which they can get their supplies in their district. They don't want to get in bad with their suppliers.

The CHAIRMAN: I am in the hands of the committee but I should think that all of that information would have to be disclosed. A statement has been made and this committee is not going to make judgment without the full disclosure of all the facts, and I think that all the facts have to be disclosed to this committee.

The WITNESS: We have no objection to that so long as their names are not made public.

The CHAIRMAN: Well, this is a public inquiry and I do not think that we could take any other course. No one will be injured in this committee, I am sure.

The WITNESS: I am not afraid of the committee, Mr. Chairman; I do not want their names, the names of the retailers concerned, made public.

The CHAIRMAN: I have just said that I am in the hands of the committee, but my judgment is that such information is pertinent to this committee and that the names would have to be given.

Mr. MACINNIS: It appears to me that the invoices should not be submitted here as evidence unless the whole of the invoice is submitted, and the whole of the invoice includes the names and addresses of the persons who are named in it.

The CHAIRMAN: I think so.

Mr. MACINNIS: But perhaps there may be a way by which we could go on. If Mr. Christensen would deal first with those invoices he has without any restriction on the use to be made of them, and later he could get in touch with counsel and point out what invoices should not be used unless there is full disclosure. Have you got any invoices, Mr. Christensen, where there is no objection on the part of those who gave them to you?

The WITNESS: I cannot answer that because I did not gather in all these invoices. We sent out for them, telephoned for some of them—that is, the men of the foods division did—but they were very emphatic about that, that they did not want to give us these invoices if their names were to be made public because they were afraid there might be retaliation on the part of their supplier.

Mr. MACINNIS: You will understand the difficulty of the committee, Mr. Christensen. It is not a matter of doubting you in any way at all, but the

committee has to get the facts and it would be difficult for them to get the facts if simply you say you have in your hand something which you could not divulge but that the result was so and so.

The WITNESS: I am perfectly willing to submit these invoices to the scrutiny of your committee but we do not want to have them made public. We do not want the names of the retailers made public.

Mr. JOHNSTON: I suppose there is some way this can be done. Could the committee get them to write to the wholesalers? I do not know whether that would help us out of the difficulty of the names to be given in public; they will have to be given.

Mr. LESAGE: If we get them from the wholesaler we would have to divulge the name of the wholesaler, his identity. It all comes down to the same thing. I do not see how it can work out if we are not in a position to cross-examine with the invoices in hand.

Mr. MAYBANK: I think there is a further point in regard to that, Mr. Christensen. Of course, we have to remember that is not Mr. Christensen who is objecting but rather it is the objection of those who gave him all the pieces of paper. Let us look at it this way, Mr. Christensen; you give us the information you have on the invoices which you hold in your hand. All the story is there except the name. All of that is covered. Well, so far as the person, the retailer, is concerned, he is pretty well informed by that time because he has a copy of the invoice and he knows where all that information came from. Now, the information itself points the finger at the supplier of the information.

The WITNESS: I beg to differ to that there.

Mr. MAYBANK: Is that so?

The WITNESS: Because the wholesaler who does any business amounting to anything at all has thousands of customers and he uses the same prices surely to a few of them, he would not have a different price for all of them.

Mr. MAYBANK: Yes; but as you begin to identify the information somewhat—for example, location and that sort of thing—I can think now of a very large number of cases where a wholesaler would be able to determine pretty well who was the supplier of the information. Would that not be so?

The WITNESS: We protected the retailers when I was with the Wartime Prices and Trade Board and I do not see why you cannot protect them now. This is government just the same as the Wartime Prices and Trade Board is government.

By Mr. Cleaver:

Q. Do I understand from this discussion that the wholesalers in Canada have such a strangle-hold on the retailers that they can push them around as this suggests?—A. May I answer that question?

Q. Yes?—A. That is exactly right; there you hit the nail on the head.

Q. I think this committee should have something to say about that?—A. We hope you will have.

The CHAIRMAN: Mr. Christensen, we appreciate your position, but you have come before the committee at its invitation, an invitation which was made because of a reported statement which appeared in the daily press. You are now before the committee. If disclosure was asked of these documents, full disclosure, that disclosure would be the responsibility of the committee and not yours. What I am trying to say is, no one could accuse you. You have clearly indicated your position in the matter. But I do not see how this committee could take any other attitude but that one that there must be full disclosure.

The WITNESS: I am perfectly willing to disclose it, but not to the public. You can all look at them and examine them with a magnifying glass

Mr. MACINNIS: This is a public investigation.

The CHAIRMAN: It is public here.

Mr. MACINNIS: And we cannot have some of our evidence given in camera and some in public. We would surely get into trouble if we attempted that sort of thing.

Mr. WINTERS: What sort of discrimination would the wholesalers practise against the retailers if this were made public?

The WITNESS: Have you any knowledge of the wholesale fruit business?

Mr. LESAGE: We are supposed to hear from you about this knowledge.

The CHAIRMAN: I suggest counsel take control of the witness and that this discussion be at an end.

By Mr. Dyde:

Q. I assume that you are going to name wholesalers in your evidence. I am certainly going to ask you to name them and under those circumstances I now proceed to ask you definitely what evidence you are proposing to put before the committee with regard to the matters of which you have just spoken, namely, gross profiteering in the wholesale and retail fruit business.—A. May I read this letter first from a merchant at Timmins?

Q. Is this a letter to you?—A. Yes, sir.

Q. Yes.—A. This is from Mr. E. L. Urquhart of Timmins:—

Mr. George Christensen,
National Director,
The Retail Merchant's Association of Can.,
86 Adelaide St. E., Toronto, 1, Ont.

Dear Mr. Christensen:

Regarding the exorbitant prices asked recently for our Canadian vegetables coming out of storage, I conducted a little private investigation on celery and cabbage, and thought you might be interested.

On Nov. 17 I purchased a case of celery for \$2.75, and on January 8 I paid \$9.75 for a similar case from the same grower.

By Mr. Fleming:

Q. What was that date again?—A. The date of the letter is February 13.

Q. The date of the purchases.—A. —

On November 17 I purchased a case of celery for \$2.75, and on January 8 I paid \$9.75 for a similar case from the same grower.

I should like to remark here that on November 17 the embargo on United States vegetables had not become effective. I believe it became effective as of midnight.

By Mr. Lesage:

Q. Who was the grower?—A. He may state that further down. I do not know. If he does I will come to it.

By Mr. MacInnis:

Q. Did he purchase directly from the grower or purchase the grower's celery from a wholesaler?

Mr. MAYBANK: Let the witness read the letter.

The WITNESS: May I finish the letter.

... Out of curiosity I wrote him and asked him what price he received for his celery, and quote from his reply:

We sold some early in November to a Toronto market for which we received \$1.90 a crate. But the bulk of our celery was sold from

storage on Nov. 18 to two large fruit companies from Toronto, for which we received \$2.35 a crate, and they pay storage which was fifty cents a crate, making their cost of the celery \$2.85 a crate.

Then the merchant goes on:

On January 12 we purchased a 40-lb bag of cabbage for \$4.80 or 12 cents a pound. We wrote to the grower, McGuigan's Orchards, Cedar Springs, Ont., and this is their reply.

Replying to yours of the 31st ult., we think your cabbage must have been from a car load sold to T. Howard James Co. of Blenheim, for Gamble Robinson. We received \$2.00 a bag for it and paid the brokerage on it, F.O.B. Blenheim.

I should have mentioned in connection with the celery that the grower lived in Freeman, Ont., and both celery and cabbage came to us through Gamble Robinson, Ltd. It looks like a profit of about 140 per cent on the cabbage and 240 per cent on the celery, somewhere between the grower and the retailer, and it is to be hoped the Commission now at work on prices will track down the culprits. One wonders why Mr. Abbott put a ceiling on imported vegetables, which he wasn't allowing into the country anyway, instead of clamping it down on our own vegetables coming out of storage.

Yours very truly,

E. L. URQUHART.

I presume you want this.

Mr. MAYHEW: Will that be marked exhibit 1?

Mr. PINARD: I should think all letters of that nature should be read first before we deal with invoices.

The WITNESS: I would now like to read a statement made by one of the executives.

Mr. LESAGE: I should like that filed.

Mr. MAYBANK: The letter is being filed, is it not?

Mr. DYDE: I think the letter will be filed although I think possibly if I had known the contents of it we would have dealt with it in a somewhat different way, but I think under the circumstances in view of the fact the letter has been read it will have to be marked.

The CHAIRMAN: Exhibit No. 3.

Mr. LESAGE: May I make a suggestion? We will run to exhibit 1,000 in a couple of months. Would it not be possible to divide it? Let us say we are on fruits and vegetables. Could we not have all exhibits on fruits and vegetables preceded by the letter F? The first one would be F-1. It is only a suggestion, but it is a practice that has been followed.

The CHAIRMAN: We will watch that. What was in my mind was another point altogether. I think we will wait before I raise it.

Mr. FLEMING: I am afraid the difficulty there is going to be that some letters will relate to more than one commodity.

Mr. LESAGE: We will deal with it at the time.

Mr. FLEMING: I think it would be simpler to have one numbering.

By Mr. McCubbin:

Q. May I ask Mr. Christensen a question? What does he mean by "fruit"? What does he classify as "fruits"?—A. Are you speaking to me? What do I classify as fruit?

Q. Yes.—A. I am not an expert on fruits. I would rather leave that to Mr. Jamieson if you do not mind.

Q. You mentioned cabbages and celery. How many other products did you mean by "fruit", because in your evidence, in that statement, you mentioned fruits.—A. I am very sorry if I said that. I thought I said fruits and vegetables. That is the way it is written.

Q. I am sorry.

Mr. MAYBANK: I think the witness represents the fruit and vegetable section of the organization. It is referred to as the fruits and vegetables section.

Mr. CLEAVER: We should take as evidence normal trade records, but I am wondering how far we should go with hearsay evidence.

The CHAIRMAN: That is exactly what was in my mind. Committees, of course, are not governed by the kind of evidence that is admissible only in a court of law, but there has to be some orderly conception of evidence. A letter from one person to another is certainly indirect evidence.

Mr. McCUBBIN: I am trying to get at fruits and vegetables. How many are we going to take—

The CHAIRMAN: May we finish this point first that Mr. Cleaver has raised? That was exactly the point that was in my mind. I should like to have some help from the committee in trying to formulate an opinion on it.

Mr. FLEMING: I should like to offer a suggestion. I do not know whether I can offer a suggestion that might be helpful. I think we have got to appreciate the difficulties the witness finds himself in. He only received notification at noon yesterday and was asked to drop what he was doing and come down here. You recall his reference to the fact that the solicitors for the association he represents urged that they should be in attendance with him whenever he came, that he should not be asked to come quite so soon. I think we will all recognize that if he had had time to prepare a brief in consultation with his solicitors this technical difficulty that we are facing now would probably have been obviated. There have been rather sweeping assertions made already by the witness, the sort of thing that on the one hand the committee will feel it its duty to follow up and on the other hand will expect to be fully proved. I do not know whether we will make faster progress in the end by giving the witness time to put his statement and evidence in shape to overcome the technical difficulties that we are facing now, and that I think will be rather formidable.

Mr. MAYBANK: I do not think there needs to be any technical difficulty in the matter at all. In the first place, as you have said, we are not bound by the ordinary rules of evidence which obtain in court, and for a very good reason. A court has these rules of evidence because it definitely has to decide what has to be decided on the evidence then before it. We have a witness here who made statements which I presume are more or less correctly reported in the newspapers, and it was quite patent at that time he was making those statements as a matter of information and belief as an officer of an association who gathered information from his members. It must be patent to everybody reading it that that was the way he was making the statements. Any statements he makes to us here today are naturally also based on information and belief.

When we accept a statement from him we take it in that way, and it is up to us as to whether it should be followed further for the purpose of getting original evidence on the same point. It is hearsay, it is true, but the weight that needs to be given to it as hearsay evidence can be attached. I think we can just let the witness proceed and give us all he can. He admits himself a great deal of it is hearsay.

The WITNESS: Pardon me; may I say something?

Mr. MAYBANK: Coming, as he would say, from a very valuable source because it is his own member, but he makes it quite clear to us, and I think we should let him proceed.

The CHAIRMAN: Mr. Christensen wants to make an observation.

The WITNESS: I object to your statement that I admit it is hearsay.

Mr. MAYBANK: I thought it was implicit in it that it was hearsay because a letter is hearsay, you see. A letter is hearsay. That is the name of that kind of evidence.

The WITNESS: I do not want to use hearsay evidence.

Mr. MAYBANK: That is what you have just done.

The WITNESS: I did not know that.

Mr. MAYBANK: I appreciate that it is a technical expression, and that is hearsay evidence.

The WITNESS: If that is the case I believe it would be better for me to ask for an adjournment of this hearing until I can have legal advice.

Mr. MAYBANK: There is not any difficulty.

The WITNESS: I do not pretend to be smart enough to cope with a bunch of attorneys.

The CHAIRMAN: Mr. Christensen, for your benefit, I may assure you the committee is not all loaded with attorneys. I want you to appreciate that the members of the committee are here to assist in any way in your elicitation of what you believe to be the facts. Now, I think if you proceed we will be able to help you get along.

By Mr. Dyde:

Q. Perhaps I might help you in this way. May I refer to the report in a newspaper. You are quoted in the *Toronto Daily Star* of February 13 as having said:

We know of one Toronto fruit speculator who brought in six carloads of oranges and put them in storage to hold out for a price of \$12 a case.

That is in quotation marks, and is followed by the words in the paper:

Said George Christensen, National Food Director. Then you are quoted in the article as saying further:

These oranges were bought as low as \$1.90 a case f.o.b. California or \$3.45 per case in Toronto. We know who the culprit is and many more like him and we are going to release the findings of our investigation.

Now, Mr. Christensen, can you give us definite information with regard to that statement?—A. That appeared about noontime. Mr. Jamieson and I picked up the paper at the Ontario Club and saw that. We immediately called that gentleman. I think his name is MacLennan. He had called us on the telephone, and we told him that was, if not a misquotation, certainly a terrible error, and we promised to correct it. In the first issue they said the oranges cost \$1.90 a case. They did not say f.o.b. California. They also made the statement, or I was quoted as saying that we knew that somebody had put these oranges into storage. I made no such statement. I told them we had information that might be true and might be rumour, but that we were told that these oranges were in storage at the terminal warehouse, and that it would be very easy for them to check up and find out.

Q. Then this statement as quoted in the *Toronto Star* of February 13 is incorrect. You are misquoted; is that correct?—A. It is incorrect, yes, sir.

Q. You have some information, though, have you, with reference to the sale of oranges?—A. It is correct that oranges at that time could be purchased—Sunkist oranges could be purchased in California at \$1.90, that is the 344 size which would lay them into Toronto at approximately \$3.40 a case. By the way, these gentlemen also used a lot of big figures, 400 per cent profit, all that sort of stuff; those are hallucinations, imaginations or something else. Those are his figures, not mine.

Q. Did you say anything about their being held at a price of \$12 per case?—A. No.

Q. You did not say that?—A. We said that was the rumour that had come to our office, that some speculator had stored six carloads of oranges, I think it was at the terminal warehouse, and was quoted as saying he expected to sell them in March at \$12 a case.

Q. So that, even what you did say was just quoting a rumour?—A. That is a fact. Pardon me, if I may say so, the other newspapers had the same rumour.

Q. Now, they quote you as saying something very definite. Did you make a statement of some kind to the newspapers?—A. We made a very definite statement that 344 oranges could be bought or could have been bought to lay in at that time for \$3.45.

Q. But you did not say anything about the sale price or the price at which they were being held?—A. There was no reference made to the particular oranges we were talking about that could be bought at \$1.90 in California which could have been laid in Toronto for \$3.45; it had nothing to do with any rumours about having any of them in storage.

Q. But you were being quoted. I am really helping you and also the committee because here is a statement in the newspaper and I am asking you to tell me exactly what you should have been quoted as saying if this is wrong?—A. I should have been quoted as saying that oranges could have been purchased at \$1.90 for 344s in California, which would lay them in at approximately \$3.45.

Q. That is all?—A. That is not all; then, we went on to tell him what those oranges were selling for in Toronto.

Q. What were they selling for in Toronto?—A. We have that, lots of it. They were selling at a lot of different prices, but we have not all the invoices.

Mr. FLEMING: Perhaps Mr. Dyde would clear up this question for us in his next question. Those are, I presume, wholesale prices which have been quoted and, perhaps, the witness could give those Toronto prices in the same realm.

By Mr. Dyde:

Q. You will be able to find the answer to that question, will you?—A. We have the invoices here, a number of them. Here is a list of quotations which Mr. Jamieson got from Toronto wholesalers. There are prices for both Toronto and Montreal here, prices they were quoting to the retail trade and, approximately, the cost.

Q. Then, can you answer me? Do not offer me a piece of paper, can you answer the question I asked about the price at which those oranges were being sold at that time?

Mr. LESAGE: At wholesale?

By Mr. Dyde:

Q. At wholesale?—A. Yes, here we are, February 2; here is a quotation from York Trading Company at \$5.90 and the Ontario Produce at \$6.

Q. Now, that was at what date, Mr. Christensen?—A. We will have to get the invoices to get the dates.

Mr. MACINNIS: Mr. Chairman, it seems to me that the evidence of the witness is in such a disorganized state that he cannot profitably use it, nor can we profitably hear it. Therefore, I suggest that we adjourn, or whatever the word is, until such time as he can prepare his material.

The CHAIRMAN: Well, I suggest that the matter is in the hands of counsel.

Mr. MACINNIS: What I am worried about, Mr. Chairman, is that if we keep the witness here it might appear that the committee is hostile to the witness and the committee should not be put in that position.

Mr. DYDE: May I say, Mr. Chairman, there are a few more questions I should like to ask. It may well be that Mr. Christensen may have to have a little more time for preparation, but there are one or two things which I think, perhaps, he can clear up for us. I will try to avoid questions to answer which he would have to go through very many papers.

Mr. JOHNSTON: Would it not be all right to let the witness go ahead and tell his story just as he sees fit, then later we can come back to a more detailed examination of the witness. Let him go ahead and tell us his story in any way he desires.

The WITNESS: Here are two, gentlemen, one for five cases and one for one. We will digging them up for you.

The CHAIRMAN: May I just make a suggestion to the members of the committee? I think we ought—without restricting the members of the committee and bearing in mind what Mr. MacInnis said, which I think is correct—to leave the matter in the hands of counsel for a while to see what the result of his interrogation is. Then, perhaps we could later judge what should be done.

There is a statement before us which I think deserves examination at this time, and which may contain a minimum number of references to invoices. I suggest, for the time being, we leave it to counsel to conduct the examination.

Mr. MAYHEW: You have asked for the price of a specific size of oranges and probably he has other invoices which would indicate to us the spread between the cost and the selling price to the retailer.

The CHAIRMAN: The suggestion I was making was that there are some types of examination with which I think counsel could proceed. I think this is one and, for the time being, we ought to leave the matter to Mr. Dyde to see exactly what the result is. I would suggest that with great respect to the committee.

By Mr. Dyde:

Q. Mr. Christensen, would you just put away your invoices for a moment. I do not want to deal with them at this minute. I want you to go back again to the report of the newspaper. May I put it before you? This is the clipping, as we have it, from the newspaper of that date. I have already asked you about a quotation and I think I am correct in saying that you told me you gave this to the newspaper as a rumour; that you did not mention anything about \$12 a case?—A. That is not so, I did not make any such statement. We did mention that as part of this rumour that this man was supposed to have said that he hoped to get \$12 a case for these oranges in March.

Q. Have you investigated that since February 13?—A. No, sir; it is not part of my business to investigate it. If the newspapers wanted to know about it, they could investigate it. I called Fred Hall of the Wartime Prices and Trade Board and told him about the situation. He said they would put some men on it.

Q. You heard a rumour and you gave some information to the newspapers and you have not followed it up since?—A. It was not necessary to follow it up. We could not do anything about it.

Mr. MACINNIS: I am going to object to this kind of questioning. I do not think Mr. Christensen should be questioned about what appeared in the news-

paper. He should be questioned only on whatever statement he made to the newspaper. A statement he made to the newspaper is, particularly, of no concern to this committee.

Mr. LESAGE: I think it is a proper foundation.

Mr. MAYBANK: It is only being used as a starting point. It is not as though he were being cross-examined; that is not the intention at any rate.

The WITNESS: May I say that I refuted that in a signed statement to the *Globe and Mail* which they printed.

Mr. JAMIESON: May I be permitted to say something regarding it, as my name is coupled in the article.

Mr. DYDE: If Mr. Jamieson is going to make a statement, I think we had better have him sworn.

William S. Jamieson, Food Merchandising Consultant, sworn.

By Mr. Dyde:

Q. What is your full name?—A. William S. Jamieson.

Q. What is your occupation?—A. My business is food merchandising consultant.

Q. Your address?—A. 203 Rose Marie Road, Toronto.

Q. Very well; now, you had a statement to make?—A. Yes. The morning previous to the appearance of that article in the *Star*, an article appeared written by Ken MacTaggart, of the *Globe and Mail*, in which he quoted me, referring to the matter of carrots and the rise in price which was taking place in that commodity. The article written by Mr. MacTaggart was pretty well word for word what I said to him. My statements were later corroborated by Mr. Reynolds, Secretary of the Wholesale Fruit and Vegetable Merchants Association.

Early that forenoon I had to visit Mr. Christensen in his office. He was completing a conversation with that reporter in question of the *Star* and he asked if he could speak to me. He enquired whether the information contained in Mr. MacTaggart's article in the *Globe and Mail* was substantially correct. I repeated, "Yes, quite correct." Yet I am quoted in that article as having made a lot of statements about wholesalers hoarding and hoarded merchandise which are absolutely unfounded and have no basis in fact.

Q. Did you correct it with a statement in writing?—A. I did not. I ignored it completely.

Q. Now, may we return to Mr. Christensen for a moment?—A. By the way, Mr. Chairman, I have Mr. MacTaggart's article here if you have not got it.

George Christensen, recalled:

By Mr. Dyde:

Q. Mr. Christensen, we have just now learned that you refuted this statement to which I referred by a written statement. Would you tell us what the written statement was?—A. I think we can dig up what they said in the newspaper. I have not got the written statement with me because I gave it to Mr. MacTaggart. Here is where I am quoted by MacTaggart in the *Globe and Mail*.

Q. Is this a correct quotation?—A. If it is not I will tell you. I will read it.

Q. Do not give it to us unless it is correct.—A. Yes, this is correct.

Q. All right, will you please read it?—A. —"to which Mr. Christensen retorts, 'I at no time said a dealer was holding oranges for \$12 a case.' He said, 'my information was a speculator had oranges with that end in mind.'"

Q. And that appeared on what date?—A. Monday morning, yesterday morning.

Mr. PINARD: Well, will you tell us the difference between those two different stories?

The WITNESS: If you are going to waste time comparing the different statements of some of those *Star* reporters you will be here all year. By the way it is a well-known fact that they hate my innards. Let us get it up on the bill-board that old father what's his name is no more a friend of mine than he is of Drew, and Drew calls him a "vile old man."

By Mr. Dyde:

Q. Mr. Christensen, your correct statement is you knew a speculator who had oranges in storage with that in mind?—A. That is incorrect. I did not say I knew of a man with oranges in storage but again I had heard the rumour.

Q. It was again a rumour?—A. Yes. We have always dealt with it in the form of a rumour. I never made the statement that anybody had oranges in storage that was holding out for \$12 a case. I said the information given to our office was that some speculator had oranges in storage, I think it was six carloads, in the hope of getting \$12 in March.

Q. One more question on this particular aspect?—A. I hope we are getting through with the rumours.

Q. Do you know who the culprit is?—A. No, sir.

Q. So that particular of the statement is also wrong?—A. That certainly is.

Q. You do not know the name of the culprit?—A. I never said I knew of a culprit. Still we are dealing with the hallucinations or imagination of somebody with the *Star*.

Mr. IRVINE: Have you any knowledge of a gap between the wholesale and retail price of fruit and vegetables which you think is too great?

The WITNESS: Thank goodness we are now getting down to evidence. May I begin to file evidence?

Mr. DYDE: When you are filing these documents I want to know definitely that you have made up your mind that there are no strings attached to the documents. I want you to be clear on that and I do not want you to be taken at a disadvantage. If you are filing a document, are you filing one in which the names may be disclosed?

The WITNESS: Well now I have my instructions. I do not suppose I can keep you from disclosing the information. I do not know what my rights are or the rights of the retailers. I am beginning to think that I do not have many personally and I wonder if the retailers have any.

Mr. MACINNIS: Mr. Chairman, I think the witness should be set right. He should not be allowed to make statements of that kind. He has rights here because, whatever evidence he is giving, the committee has a right to accept the evidence he has, and those are all the rights there can be as between the witness and the committee.

The CHAIRMAN: That is right. What Mr. MacInnis has said is the correct statement of the situation. We are here merely to get all the facts we can about prices and anything you can help us with in that regard will be received and considered on its merits by the committee.

Mr. FLEMING: Mr. Chairman, would this be of any help? Mr. Christensen might be asked if, apart from this evidence, that he does not feel free to make public, whether up to the present time he has evidence of any undue spread or mark-up in the price of fruits and vegetables, or hoarding, apart from the evidence which he does not feel free to divulge now?

Mr. DYDE: I do not know whether we are at a stage yet, if I may say so, where Mr. Christensen has definitely made up his mind that he cannot give us

documents and allow us to disclose names. I think he must say to us that he cannot do that, and he will not do that, and then we can go on and ask him what he has got that he can disclose.

Mr. FLEMING: We do not want to waste time here and we do not want to be unfair with the witness. I think we can all appreciate the difficulty in which he finds himself if the invoices were put in his hands by the retailers with certain definite conditions attached to them. It is quite true this committee can get information anywhere and require the production of those invoices from any source, using its powers for that purpose. It is another thing to say to this witness that he must produce those today. We are not making any progress now and we have been here an hour on this. Now would not the sensible thing be to adjourn and allow the witness time, through his Toronto office, to contact the retailers and see if they are prepared to allow that free use be made of these invoices when the situation is explained to them. It would also give Mr. Christensen an opportunity to put his evidence in shape so that he could proceed to give it to the committee tomorrow in a coherent and systematic way. He will have the assistance of Mr. Dyde in the meantime and it will save us a good deal of time in the long run.

The CHAIRMAN: Now I did suggest to the committee that this kind of examination does require a certain amount of leeway in the hands of the person who is putting the questions. I am sure that Mr. Fleming will appreciate that. I do not know what counsel has in his mind but I do suggest that we let counsel proceed and then if we find, after he has put the questions now in his mind, that it would be better to postpone the hearing then we can do so. However, I do suggest to the committee that it may be well to spend our time following that procedure.

Mr. LESAGE: I will agree with what you have just said but I wonder if we should ask permission of the witness; I think it is the committee's decision and not his.

The CHAIRMAN: There is no doubt about that and we said so earlier.

Mr. LESAGE: But counsel just asked him if he had any objection.

Mr. DYDE: I asked that to find out his attitude. If he had any objection that would be one thing, but I wanted to be sure whether he would clear it up.

Mr. MACINNIS: Mr. Chairman, I wish to carry a little bit further the point raised by myself and again by Mr. Fleming a few moments ago. It seems to me there is no use whatever in questioning the witness in a haphazard way on this and that item. Each invoice or document that he places before the committee should be complete in itself, as being part of, and corroborating or otherwise, the statements that have been made. With all due regard to our counsel I do not see that anything useful can be accomplished by carrying on the examination in the way we have been going.

Mr. DYDE: I am inclined to agree, Mr. Chairman, and I think I am nearly at the stage where I can suggest to you that I am doubtful if we can go forward because I notice Mr. Christensen was about to hand me an invoice. I did not know whether I had the right to refer to the names on that invoice or not, or whether he had made up his mind if he is going to hand me the document with some condition or string, and if so I could not usefully go on with my questions.

The CHAIRMAN: Well, counsel has given his opinion. Mr. Fleming put a question that I thought was pretty basic. He asked a specific question as to whether or not this witness had any knowledge of hoarding or of steps taken—

Mr. FLEMING: Of undue mark-ups of the price of fruits and vegetables.

The CHAIRMAN: I think that is a fair question. This committee is in the position that we have before us newspaper statements which the witness has now explained in part. The committee, acting on the recommendation of the steering committee in accordance with what it felt its duty to be, has called a witness who is alleged to have made certain statements. Now I think at this stage we could very well proceed with the reply to Mr. Fleming's question and see what that elicits. That does not preclude the more orderly arrangement of the witness's evidence at a later date but this committee has a big job to do and time is of the utmost importance. I think we ought usefully to put in the rest of the time but if we cannot we may have to adjourn.

Mr. IRVINE: May I ask a question?

The CHAIRMAN: Yes.

Mr. IRVINE: Has the witness got any invoices which he feels he is free to give?

The CHAIRMAN: Would you mind taking a suggestion from me? I was wondering if the witness could not be allowed to answer Mr. Fleming's question? The question will be repeated.

Mr. FLEMING: I will put the question again to Mr. Christensen. Mr. Christensen, apart altogether from those invoices which you do not feel free to make public, have you any evidence that you can give the committee now as to profiteering, or hoarding, or undue mark-ups in fruits and vegetables in recent months?

The WITNESS: Yes, we have plenty of evidence here to prove excess mark-ups but we would, of necessity, have to use these invoices, otherwise it would be taking our word for it and we would not expect anything of that sort. It would not be reasonable. My colleague here, Mr. Jamieson, has just suggested that we turn over to you these invoices and all the evidence we have. There are two of us now that they will have to pick on instead of just myself and I want to see us get along.

The CHAIRMAN: Mr. Christensen, you must clearly understand that no one is here to pick on anyone; no member of this committee has any such intention with regard to yourself or anyone now here that might be called.

The WITNESS: I did not mean you gentlemen are going to pick on us, I meant the retailers might do so after we give the invoices.

Mr. LESAGE: The committee has to take the responsibility.

The CHAIRMAN: It is our full responsibility.

Mr. IRVINE: The committee cannot take the responsibility because the person who stands to lose is the retailer who may find difficulty in making purchases.

The CHAIRMAN: We cannot help that. If there is anyone who will treat the witness in that fashion that is another matter. We are here to get the facts and we cannot be responsible for getting anything else but those facts. That is our situation.

Mr. FLEMING: I do not think he is concerned on his own account.

The CHAIRMAN: I know, but on behalf of the retailers.

Mr. FLEMING: He has in mind that the particular retailers from whom he obtained the invoices might be victimized by those against whom charges are being made.

The CHAIRMAN: I do not think we can be concerned. We are here to get evidence and if there are people who would hold the disclosure of those facts against certain retailers that matter may be dealt with in another way, if there is another way. Surely our business is to get evidence. Every bit of evidence

here has an effect somewhere on someone. You cannot make an assertion without involving someone. That is in the very nature of the process that calls for the hearing of evidence.

I was about to suggest that Mr. Fleming was on the line of questioning which I think might be useful.

Mr. FLEMING: I will follow that, if you like.

By Mr. Fleming:

Q. Mr. Christensen, you indicated that you have evidence of undue mark-ups. Let us just clear the air for a moment and let me ask you if you have any evidence as to hoarding in fruits and vegetables in recent months?—A. Could Mr. Jamieson answer that question, because he is out on the fruit and vegetable business all the time and I am not.

Mr. FLEMING: All right.

Mr. JAMIESON: We have no evidence at all of hoarding.

By Mr. Fleming:

Q. Very well, first let us confine ourselves to this matter of undue mark-ups or unduly high prices. Which is the more convenient for you to proceed with first, Mr. Jamieson? Would you care to answer that, or would Mr. Christensen tell us about the fruits and vegetables?—A. We have been on both of them.

Q. You do not draw any distinction?—A. No.

Q. What period of time does your evidence with respect to undue mark-ups cover?—A. I do not think I can tell you that offhand. The invoices will show that.

Mr. JAMIESON: You could answer that by saying, since November 17.

Mr. FLEMING: Since November 17?

Mr. JAMIESON: Of undue mark-ups, what we consider undue mark-ups.

Mr. FLEMING: Of undue mark-up; just to get this clear, you are starting with November 17, the date on which the list of restrictions were applied against the importations of fruits and vegetables of certain kinds. Is that right?

Mr. LESAGE: I can see that that question is fishing. I am wondering if questions could be put by counsel. That is the practice under parliamentary procedure according to Beauchesne.

Mr. FLEMING: What does my friend mean by talking or fishing?

Mr. LESAGE: Politics come in.

Mr. FLEMING: If there is any politics in it, it certainly has not been brought in by me.

The CHAIRMAN: Lets keep on the rails.

Mr. FLEMING: The witness might answer the questions if he has such evidence that he is about to give on a situation that has arisen as a result of the restrictions applied to the importations of fruits and vegetables into Canada.

The WITNESS: We believe that to be the cause of the higher mark-ups.

Mr. LESAGE: Would that be the cause or the occasion? There is a big difference between cause and occasion.

The WITNESS: We can only say we know that it happened.

Mr. FLEMING: All right. Did you have occasion to look into the markups prior to the date, or have you any knowledge of them so as to provide the committee evidence on which to bring a comparison?

The WITNESS: No. We have prices prior to which they were sold at but we haven't got a comparison of mark-ups.

The CHAIRMAN: Now, just a minute. The witness and his associate (Mr. Jamieson) are talking together at the same time as you are directing questions to the witness. There must not be any dialogue between the two.

By Mr. Fleming:

Q. Have you evidence as to the mark-up in fruits and vegetables since November 17 last?—A. Yes, yes, we have.

Q. Well then, could you take the different kinds of fruits and the different kinds of vegetables and tell the committee exactly what the mark-ups were of which you have knowledge?—A. Could we take an example here? We have an invoice here with a price, an itemized price; and then we have the approximate laid-in cost, which is within a few cents on a case.

By Mr. Dyde:

Q. If I might interrupt at that point. We had reached that point where it was felt that perhaps we could not go further because there was some hesitation, and I think Mr. Christensen was prepared at that time to produce documents. May I ask you, Mr. Christensen, if you could now go ahead with these documents along that particular line?—A. We can supply you all these invoices and the wholesale quotations and the approximate laid-in cost to the particular retailer and a comparison with the ultimate invoices.

Mr. CLEAVER: I think at this point counsel for the committee should take over.

Mr. DYDE: I think it would be useful if you then produce those to us and tell us the commodities to which they refer and what particular information they give.

The WITNESS: It says, this is an invoice for a case of 344 oranges—Sunkist.

Mr. MAYBANK: A little louder, please.

The WITNESS: This invoice is for a case of oranges, 344 Sunkist oranges.

By Mr. Dyde:

Q. What is the date?—A. January 28.

Q. And the price?—A. \$5.75.

Q. You are now speaking of the price charged by the wholesaler to the retailer?—A. That is right.

Mr. HARKNESS: Were those 316 you were talking about before, or 344's?

The WITNESS: This I am talking about now is 344.

Mr. WINTERS: What does that mean?

The WITNESS: The number of oranges in the case. The cases are all the same size but the number in the case varies.

Mr. DYDE: As you refer to these, and as you finish referring to them would you pass them along to them, please?

Mr. LESAGE: Is that the wholesale price? What is the laid-down cost?

The WITNESS: Approximately the laid-down cost would be \$3.55.

Mr. FLEMING: Is that in Toronto?

The WITNESS: Yes. That would be Toronto.

Mr. JAMIESON: It is a matter of within 2 or 3 cents per case.

The WITNESS: This invoice is Ottawa, by the way. Mr. Jamieson would know the approximate difference.

Mr. JAMIESON: 2 or 3 cents per case higher here.

Mr. MAYBANK: The difference in the laid-down cost would be 3 or 4 cents more for Ottawa?

Mr. JAMIESON: There will be a slightly higher price for the laid-down cost in Ottawa. The next item is 252 size, Sunkist oranges.

Mr. FLEMING: Just before you leave that, would you give us parallel figures on the 360 laid-down cost.

Mr. JAMIESON: To the wholesaler?

Mr. FLEMING: What is the quotation you have on the invoice to the retailer?

Mr. JAMIESON: The retailer was charged \$5.75.

Mr. FLEMING: The date?

Mr. JAMIESON: January 23.

Mr. MAYHEW: The markup is approximately \$2.00?

Mr. MAYBANK: It would be \$2.15.

The CHAIRMAN: I think at this stage of detailed examination the orderly way to proceed is to permit counsel to conduct the questioning, and that if there are any further questions you will be able to bring them up at the end. Unless we do that I do not see how we can proceed with order.

Mr. LESAGE: How are we going to be able to refer to the invoices later on if they are not marked?

Mr. DYDE: They will be marked.

Mr. LESAGE: They will not be of any use to us unless they are marked.

Mr. DYDE: As Mr. Christensen refers to these they will be marked as exhibits in that order. I will see that they are marked. Is there any charge marked on that invoice?

Mr. JAMIESON: Yes, 252 size, sunkist oranges. The retailer was charged \$6.00 for that. The approximate laid-in cost would be \$4.10 in Ottawa in carload lots.

Mr. DYDE: Now, may I pause there for one minute and ask you if you can say—if you cannot, let me know—can you say how that compares with prices in previous months? For instance, say in November, early in November of 1947?

Mr. JAMIESON: I might say immediately to that question that there is no comparison because you get an entirely different type of orange in that season of the year, known as valencias, whereas we are speaking now of the winter orange, known as navels.

Mr. DYDE: I want to make that clear, as to whether you would draw a comparison between January 28 and an earlier date; and you tell me you have done that.

Mr. JAMIESON: Not so far as November goes. You might make comparison in December; but the only comparison there is the seasonal change that takes place each year as the crop comes into full maturity.

Mr. DYDE: Might I ask if you have information available—you might have—if you have information available to compare with prices of one year ago?

Mr. JAMIESON: No, we have not.

Mr. JOHNSTON: Is that \$4.10 in carload lots?

Mr. MAYBANK: Yes.

Mr. JOHNSON: What would be the retail price—that \$6.00 would not be carload lots that would be in a small package.

The WITNESS: That is one case.

Mr. JAMIESON: These are bought by the case.

Mr. JOHNSTON: What I mean is that the \$4.10 is the laid-down cost in Ottawa in carload lots.

Mr. JAMIESON: In carload quantities, yes.

Mr. JOHNSTON: Now then, about this \$6.00 a case; is that in carload quantities too?

Mr. JAMIESON: Those are only bought by the case.

Mr. JOHNSTON: There is a difference there, the one is in a small quantity and the other is in a carload lot.

Mr. JAMIESON: Oh no, the wholesaler is selling these to the retailer.

The WITNESS: During the Wartime Prices and Trade Board's controls maximum mark-up permitted on navel oranges for 15 per cent of selling price.

Mr. LESAGE: Plus transportation charges.

The WITNESS: Approximately 75 cents on that particular size. On this size we have here an illustration that Mr. Jamieson has written up here. It says, normal 280 oranges, cost laid down \$2.80—70 cents—that means the cost is \$4.50—then the cost per dozen is 19 cents. He says this is actually what is going on. Say the price paid by the retailer is \$6.50 and that represents 27.5—in excess of 30 per cent more than would be permitted under the Wartime Prices and Trade Board maximum mark-ups.

Mr. DYDE: Have you completed the other invoice with which you were dealing?

The WITNESS: Yes.

Mr. DYDE: All right I would like to mark this invoice, Mr. Chairman, as exhibit 4.

Exhibit 4, invoice on shipment of oranges to Ottawa.

Mr. DYDE: Now, if you would refer to the next item, please, Mr. Christensen. What is it? You have before you an invoice. Now, what is the information that you can give us from that?

The CHAIRMAN: Order. If we are going to have questions put in an orderly way we must have them put one at a time. We cannot have counsel and two or three members asking questions and each witness answering at the same time.

By Mr. Dyde:

Q. What is the date on this?—A. February 6. I believe the reason Mr. Jamieson selected this invoice for comparison is because it is Sudbury and the price is \$5.25 per case, f.o.b. Sudbury for the 344 oranges. Pardon me.

Mr. JAMIESON: These are 550's and 575's.

The WITNESS: The quotation on the same size of oranges to Toronto on February 9—this is February 6—on February 9 a Toronto wholesaler quoted on the same size of orange at \$5.50 and \$6.00—lowest quotation, \$5.50 and the higher one, \$6.00. On this particular Sudbury invoice here the retailer was charged \$5.25, and Mr. Jamieson says the approximate laid-down cost in Sudbury, would be \$3.60.

Q. And that is a margin of what?

Mr. MAYHEW: I think the witness can see pretty well what we are after at the present time, and if he were given some time he could submit a statement at one time.

The CHAIRMAN: I suggest we leave it to counsel.

The WITNESS: A mark-up of 31 per cent, Mr. Jamieson says.

Mr. LESAGE: From \$5.25 to \$3.60.

Mr. MERRITT: From \$3.60 to \$5.25.

Mr. CLEAVER: Would you mind asking the witness as to how he arrives at that percentage of mark-up.

By Mr. Dyde:

Q. How do you arrive at that percentage of mark-up?—Mr. Jamieson, will you please answer?

Mr. JAMIESON: You deduct the laid down price from the selling price and you divide that difference by the selling price.

Mr. CLEAVER: The difference is \$1.65, and if you divide that by \$3.60 you do not get that percentage.

Mr. LESAGE: It is the selling price you have to take.

Mr. CLEAVER: He has already given the formula.

The CHAIRMAN: I thought that we would leave this to counsel, but I think the witness has not his material organized properly. We have made an honest endeavour, and I am sure he has too, to save time and to deal with this matter. I would suggest that between now and our next meeting the witness might get together with counsel and see if this could not be better organized. Possibly counsel can advise us as to what steps to follow later.

Mr. MAYHEW: I suggest that the witness be supplied with secretarial staff to get this in order.

Mr. FLEMING: If it were possible to reduce this to any kind of table and have mimeographed copies for the next meeting tomorrow it would save a great deal of time.

The CHAIRMAN: Mr. Christensen, the time of this committee is valuable. We have got a very important inquiry. Can you between now and tomorrow put your evidence in more orderly shape? Can that be done?

The WITNESS: If you will supply us with a competent stenographer, somebody to do the work. I worked pretty nearly all last night.

The CHAIRMAN: Counsel will give you every assistance.

The WITNESS: We can certainly do it.

The CHAIRMAN: Is there any other matter to come before the committee?

Mr. FLEMING: Mr. Chairman, there is one question I should like to raise. It has nothing to do with the witness, but it is a matter that has been brought to my attention quite frequently of late. It may involve something that will have to go to the steering committee. In any event it may involve an interpretation of our terms of reference. I do not suppose I am alone in this, but I have had a great many complaints of late about tenants of commercial accommodation, in view of the end of rent control on commercial accommodation next month, being asked to pay rent at sometimes 350 per cent to 400 per cent of what the rents have been hitherto. I should like to ask if the investigation of mark-ups of that kind in rent of commercial accommodation comes within the scope of the reference of this committee.

The CHAIRMAN: Any matter affecting prices. I suggest there is a question of procedure here as to whether or not matters that are suggested for the consideration of this committee should not be brought up first in the steering committee. Each member, of course, has the right to do whatever he wants in this committee, but there is an orderly way and a disorderly way of proceeding. It seems to me if any member of the committee has something which he thinks this committee should go into the more orderly procedure—may I put it that way—would be for that member, if a member of the steering committee, or if not through a member of the steering committee, to raise the matter there first. I think that is the customary way.

Mr. FLEMING: If you lay down that rule I am sure we will all be glad to adhere to it. I have assumed if a matter was raised here it would have to go to the steering committee or at least be ruled on by yourself. It is a question

that does definitely involve the terms of reference of the committee, and I myself have not been able to give an answer to those who have spoken to me, looking at the terms of reference.

The CHAIRMAN: I have made a suggestion as to the question of procedure. Does the committee concur with the suggestion I have made?

Mr. MACINNIS: Agreed. (Agreed.)

The CHAIRMAN: Then it will be clearly understood if any member of the committee now or hereafter has any matter which he thinks this committee should inquire into, that before raising it it will be brought to the attention of the steering committee. Do you wish a meeting of the steering committee at once on this?

Mr. FLEMING: Not necessarily at once. I presume there will be a meeting this week.

The CHAIRMAN: You wish to leave it until we meet again?

Mr. FLEMING: It will be dealt with this week, I presume.

The CHAIRMAN: Yes. Is there any other matter to come before the committee?

Mr. CLEAVER: Yes. I believe that it was understood at the time we headed into this particular feature of our inquiry that the wholesalers, or a representative on their behalf, would have an opportunity immediately to reach the public through the press with any rebuttal which they wish to make. While it is true the committee has not made much progress it is true that some statements have been made, and perhaps the wholesalers should have an opportunity of having some parallel statement appear in the press as to what has happened this afternoon. If any of them are in the room I do think they should have an opportunity to be heard.

The CHAIRMAN: What do the members of the committee think about that?

Mr. MAYBANK: You do not mean at the present moment?

The CHAIRMAN: You mean now?

Mr. CLEAVER: I think they should be consulted now.

The CHAIRMAN: What do the members of the committee feel about that?

Mr. WINTERS: The present witness made certain statements which I think could be gone into further before the wholesalers had a chance to make a statement. One of them dealt with unethical practices which he coupled with gross profiteering. He also dealt with the question of discrimination against certain retailers. Since both of those may have a bearing on prices I think the witness should elaborate, before the wholesalers make a statement, as to what those unethical practices are and what forms the discrimination might take.

Mr. JOHNSTON: You could not do that now because it has already been agreed that the witness will get in touch with counsel and prepare a statement.

Mr. WINTERS: That is as to the compilation of these invoices.

The CHAIRMAN: I think your observation now is really another point. Mr. Cleaver has said that while the witnesses have not completed their evidence nevertheless certain statements have been made, and he puts forward the suggestion that those who are affected by those statements should be given the opportunity of making a counter reply. What does the committee think about that suggestion?

Mr. WINTERS: My thought was that rather than make a reply at this stage why not let the present witness say as much as he wants about these practices and then let the wholesalers rebut the whole statement.

The CHAIRMAN: I think that is the more orderly way.

Mr. CLEAVER: It is the more orderly way. I do not know if there are any wholesalers in the room, but if I were a wholesaler I know how I would feel.

Mr. IRVINE: That is a matter for your steering committee. I thought you had decided they were to handle matters of that sort before they were brought here.

Mr. CLEAVER: I thought the steering committee had decided that the wholesalers would have an opportunity to reach the Canadian public on the same day.

The CHAIRMAN: No, we did not say the same day. We said immediately after the statement was made.

Mr. McCUBBIN: If you are going to call the retailers and wholesalers there is another class that must be called, too, the producers.

The CHAIRMAN: No doubt the producers have an important place in this hearing, but so far there has been no reflection on them.

Mr. MACINNIS: They may want to reflect on somebody else.

The CHAIRMAN: They will be called.

Mr. IRVINE: We will have to go to Florida for the orange growers.

The CHAIRMAN: You have heard the suggestion of Mr. Cleaver that we now hear the wholesalers if they want to be heard. My own suggestion is that the proper time for them to come in is when this evidence has been completed. That is my own view.

Mr. BEAUDRY: I think we can rely on the fairness of the press of the country to establish very clearly that this evidence is not completed yet, and therefore it would not be sound to bring rebuttal yet.

Mr. PINARD: In any event, if there are any here they would have spoken by now.

The CHAIRMAN: Does the committee concur in my view?
(Agreed).

Are there any other matters to come before the committee? I very reluctantly adjourn half an hour before time. We have a lot of work and the hours we are taking are long. I know it is quite an obligation on every member of the committee but under the circumstances I think it is the wise thing to do. The meeting is adjourned until 4 o'clock tomorrow.

The meeting adjourned at 5.35 p.m., to resume on Wednesday, February 18, 1948, at 4 o'clock p.m.

SESSION 1947-48
HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

NO. 6

WEDNESDAY, FEBRUARY 18, 1948

WITNESSES:

Mr. George B. Christensen, National Food Director, Retail Merchants' Association of Canada, Toronto.

Mr. William S. Jamieson, Food Merchandising Consultant, Toronto.

MINUTES OF PROCEEDINGS

WEDNESDAY, February 18, 1948.

The Special Committee on Prices met at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. George B. Christensen, National Food Director, Retail Merchants' Association of Canada, Toronto, and Mr. William S. Jamieson, Food Merchandising Consultant, Toronto, were recalled and both further examined concurrently.

Mr. Jamieson filed,

Exhibit No. 5,—Table giving details of invoices attached thereto, with regard to citrus items only.

Exhibit No. 6,—Table giving details of invoices attached thereto with regard to Ontario fresh vegetable items only.

At 6.05 p.m. witnesses retired and the Committee adjourned until Thursday, February 19, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

February 18, 1948.

The Special Committee on Prices met this day at 4.00 p.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Mr. Dyde, are you ready to carry on?

Mr. DYDE: Mr. Chairman, Mr. Christensen and Mr. Jamieson have suggested that we might call on Mr. Jamieson first this afternoon. There is certain tabular material which he is able to file.

George B. Christensen, National Food Director, Retail Merchants' Association of Canada, and William S. Jamieson recalled.

Mr. DYDE: Mr. Jamieson, since yesterday you have prepared a table which you have entitled "Citrus Fruits". I think you have prepared a sufficient number of copies so that every member of the committee may have one to look at.

Mr. JAMIESON: That is correct.

Mr. DYDE: To this table you have attached the invoices covering each item that is on the table. Is that correct?

Mr. JAMIESON: In support of each item, yes, sir.

Mr. DYDE: You would like to file the table with the attached invoices?

Mr. JAMIESON: Yes. I believe it would be in the interests of the committee after receiving the copies to read it out possibly.

Mr. DYDE: Quite so. We will just wait until that distribution is completed. You are submitting this as an exhibit. I think it may properly be filed as an exhibit, Mr. Chairman, with the invoices attached.

The CHAIRMAN: That will be exhibit 5.

Mr. DYDE: Now, Mr. Jamieson would you read this and make any explanatory remarks you care to make as you go along?

The WITNESS: Pardon me, I think Mr. Jamieson should make his statement before we go into that.

Mr. DYDE: I will be glad to have Mr. Jamieson do whichever he wishes. I understood this was what he preferred to do.

Mr. JAMIESON: Do you wish me to make a statement prior to my reading this?

The WITNESS: I would like you to make the statement you have prepared.

Mr. JAMIESON: This compilation of figures, gentlemen, is on citrus fruits. It is prepared by me and submitted by Mr. George Christensen, and I am reading it for him. The sub-heading there describe the various items. I will start off, with your permission, with the item of February 6. The name of the wholesaler was Gamble Robinson of Sudbury. The name of the retailer was A. E. Hodge Limited, Falconbridge. The item was California oranges, size 344. The retailer purchased five cases. He paid \$5.25. The approximate laid-in cost in carload lots, including freight, to the wholesaler was \$3.60. The wholesaler made a gross margin of \$1.65 equivalent to 31.4 per cent.

EXHIBIT No. 5: Table re citrus fruits

CITRUS FRUITS

Table prepared by William S. Jamieson and submitted by George Christensen

Date of invoice	Name of wholesaler	Address of wholesaler	Name of retailer	Address of retailer	Item	Size (Count)	Number of cases purchased by retailer	Price per case paid by retailer	Approximate cost in carload lots to wholesaler (including freight)	Gross margin	
										Dollar amount	Per cent of selling price
								\$ cts.	\$ cts.	\$ cts.	p.c.
1943											
Feb. 6th.....	Gamble-Robinson.....	Sudbury.....	A. E. Hodge Ltd.....	Falconbridge.....	California oranges.....	344	5	5 25	3 60	1 65	31.4
Feb. 3rd.....	Everest Bros.....	Toronto.....	Carload Groceries.....	Toronto.....	California oranges.....	220	1	6 50	4 55	1 95	30.0
Feb. 7th.....	Everest Bros.....	Toronto.....	Carload Groceries.....	Toronto.....	California oranges.....	220	1	6 50	4 55	1 95	30.0
Feb. 12th.....	Everest Bros.....	Toronto.....	Carload Groceries.....	Toronto.....	California oranges.....	220	1	6 50	4 55	1 95	30.0
Feb. 2nd.....	C. S. Simpson Co.....	Toronto.....	Jas. Hussey.....	Toronto.....	California oranges.....	288	2	6 25	3 80	2 45	39.2
Feb. 2nd.....	C. S. Simpson Co.....	Toronto.....	Jas. Hussey.....	Toronto.....	California oranges.....	220	1	6 75	4 55	2 20	32.6
Feb. 10th.....	Kaltes & Sharf.....	Toronto.....	Jas. Hussey.....	Toronto.....	Grapefruit.....	96	2	3 50	2 60	0 90	25.7
Feb. 10th.....	Kaltes & Sharf.....	Toronto.....	Jas. Hussey.....	Toronto.....	California oranges.....	288	2	6 25	3 80	2 45	39.2
Feb. 12th.....	Kaltes & Sharf.....	Toronto.....	Jas. Hussey.....	Toronto.....	Florida oranges.....	216	2	5 75	3 40	2 35	40.9
Feb. 6th.....	Dominion Fruit Co.....	Toronto.....	Gus Fruit Market.....	Toronto.....	California oranges.....	252	5	6 00	4 05	2 60	43.3
Feb. 6th.....	Dominion Fruit Co.....	Toronto.....	Gus Fruit Market.....	Toronto.....	California oranges.....	220	3	6 50	4 55	2 45	37.7
Feb. 6th.....	Dominion Fruit Co.....	Toronto.....	Gus Fruit Market.....	Toronto.....	Lemons.....	300	3	6 00	4 50	1 95	30.0
Feb. 6th.....	Dominion Fruit Co.....	Toronto.....	Gus Fruit Market.....	Toronto.....	California oranges.....	252	3	6 50	4 05	1 50	25.0
Feb. 10th.....	A. Dunn & Co.....	Toronto.....	J. Craig.....	Toronto.....	California oranges.....	200	1	7 50	5 20	2 45	37.7
Jan. 31st.....	S. Leone.....	Toronto.....	T. Preston.....	Toronto.....	California oranges.....	200	1	7 00	4 55	2 30	30.7
Feb. 10th.....	M. Cutrara.....	Toronto.....	T. Preston.....	Toronto.....	Grapefruit.....	96	1	2 75	2 60	3 45	35.9
Feb. 10th.....	M. Cutrara.....	Toronto.....	T. Preston.....	Toronto.....	California oranges.....	344	1	7 00	3 50	2 45	41.3
Feb. 9th.....	Barrett Bros.....	Toronto.....	W. Probert.....	Toronto.....	California oranges.....	288	1	6 50	3 80	2 70	41.3
Feb. 6th.....	National Grocers Co.....	Orillia.....	E. N. Gibson.....	Utterson, Ont.....	California oranges.....	232	1	6 25	4 05	2 20	35.2
Feb. 3rd.....	Locco Bros.....	Niagara Falls.....	Thompson Foods Ltd.....	St. Catharines.....	California oranges.....	200	10	6 25	5 20	1 05	16.8

Mr. DYDE: Mr. Jamieson, if there is some value in our reading the whole exhibit I will be glad to have you do it but do you think you could shorten it after your explanation now? Would it be necessary to have it all read?

Mr. JAMIESON: Mr. Christensen has expressed himself to me as wishing to have it read because as you look down the columns you will see profits of \$2.60, \$2.45, \$3.45, with the percentages relatively higher.

The WITNESS: I think we should deal with each one.

Mr. DYDE: Go ahead.

Mr. JAMIESON: The second item is February 3. The wholesaler was Everest Bros., Toronto; retailer, Carload Groceterias, Toronto; item California oranges; size 220. One case was purchased. The retailer paid \$6.50. The approximate laid-in cost in carload lots, Toronto for the wholesaler was \$4.55. A profit was made of \$1.95. The gross margin percentage of selling price was 30 per cent. The third item is Everest Bros., Toronto, wholesaler; retailer, Carload Groceterias, Toronto. The item was California oranges. The size was 220. One case was purchased. The price paid by the retailer was \$6.50. The approximate laid-in cost in carload lots to the wholesaler, including freight was \$4.55, a profit of \$1.95, gross margin percentage on selling price of 30 per cent.

By Mr. Winters:

Q. Is it not customary to calculate the mark-up on the wholesale price rather than the selling price? Why is that done in this industry?—A. May I answer that question? It is customary. Of course, these percentages would be a great deal higher if we used the other term. They would be up to 75, 80, and sometimes almost 100 per cent, but it would not be fair on our part to do that because it is not customary.

Q. Then, speaking of mark-ups, it would make them a lot higher in percentage than you have computed?—A. In the fruit trade they think the other way all the time, because they figure if they sell \$1,000 worth of produce, or whatever it is, and our cost of doing business is 10 per cent, then we have so much left, and we have made 15 per cent, and so on.

By Mr. Fleming:

Q. Yesterday Mr. Christensen said the mark-up allowed during the war by the Wartime Prices and Trade Board was 15 per cent. Is that calculated in the same way, 15 per cent of the eventual sale price to the consumer?—A. 15 per cent of selling price; in other words, if it cost 85 cents and you sold it for \$1 you would have made 15 per cent of the selling price.

Mr. CLEAVER: I think there is a good deal of confusion here. I suggest with all deference this percentage which is should be a percentage of the cost price of this transaction, which is \$3.60. That is the cost. \$5.25 is the selling price. The profit is \$1.65 on the \$3.60 transaction.

Mr. WINTERS: It is the mark-up on the wholesaler's cost that I think we are concerned with.

Mr. MAYBANK: The only reason for turning it the other way is that the witness says that is the customary way of doing it.

Mr. CLEAVER: The Wartime Prices and Trade Board item he referred to yesterday was the percentage of mark-up which the retail merchant is permitted to make.

Mr. MAYBANK: I know, but the witness is explaining the term this way at the moment by saying that is the usual trade way. Any person may by arithmetic, if he so desires, turn it into the other.

Mr. CLEAVER: I understood the witness to say it was a trade practice with respect to their sales, and he is in the retail trade.

Mr. MAYBANK: After all it is only a case of fixing the terms, as long as we understand it.

Mr. MACINNIS: May we not accept this in the form the witness gives it to us and then if we want to—

The CHAIRMAN: Draw our own conclusions.

Mr. MACINNIS: —to change it to make it look better or worse, as the case may be, then we can do so.

By Mr. Merritt:

Q. There is one point I should like to clear up. You say during the war there was a 15 per cent mark-up allowed by the Wartime Prices and Trade Board. What was the usual percentage mark-up before the war in this trade on wholesale prices before the controls came into effect?—A. Well, that would vary in different parts of the country depending on the volume of business they were doing, and so many things. You must remember that my last experience in the grocery business was in the chain store grocery business, and we could buy oranges anywhere from 10 to 25 cents over a case, and citrus fruits, but that is a different proposition.

Q. Of your own knowledge you cannot say— —A. But the independent man cannot get that kind of price.

Q. Of your own knowledge at this moment you cannot say what it was before control?—A. I have already told you.

Q. How much, what percentage?—A. Personally I bought oranges and other citrus fruits at from 10 to 15 cents over a case which would average only from 3 per cent to 5 per cent, but that is a different proposition. If they did not give us a satisfactory price we just brought in our own cars, which the chains are doing today.

Q. Can Mr. Jamieson answer that question?—A. I can answer the question, brother, any question to do with percentages.

Q. Only for chain stores?—A. I can answer it for the other stores.

Q. Answer it for the other stores.—A. The normal reasonable mark-up on citrus fruits previous to the war in normal times, if the price did not exceed \$5 a case, would be 50 cents a case, or approximately 10 per cent.

Mr. DYDE: In connection with the point raised by Mr. Cleaver I made some enquiries and found that this was customary in the trade. It seemed to me that we would have difficulty if we departed from the trade custom in statistics. I think we can do our own calculation, but certainly it seemed to me it might be difficult for us to depart from that trade custom.

By Mr. Beaudry:

Q. May I ask the witness this question? In the retail trade is the percentage of mark-up figured also on the selling price or on the buying price?—A. If you are talking about a scientific merchant—

Q. I am trying to relate retail figures as against these wholesale figures.—A. There is no law compelling them to figure that way.

Q. Please tell me whether it is customary in the retail trade to figure the mark-up percentage on the purchase price or on the sale price? In this case, the wholesale, you have figured your percentage of mark-up on the selling price.—A. The majority of retailers figure the mark-up on the selling price. They take the mark-up off the selling price. Take for instance, in this bread situation that they are talking so much about. It has been customary, particularly in Toronto before the war, for many years before the war—

Q. My question has been answered.—A. To buy at a price less 10 per cent or 20 per cent, in that case at 20 per cent of the selling price.

By Mr. Fleming:

Q. You say selling price. You mean retail selling price?—A. Yes. In other words, for a loaf of bread that sold at a dime in the old days they paid 8 cents.

Mr. CLEAVER: Our counsel has indicated this is the established trade practice. I wonder if you would put on record what was the normal trade practice as to mark-up prior to the war, what percentage?

Mr. FLEMING: May I ask, with regard to oranges, are those ordinary, table oranges?

Mr. JAMIESON: Yes, when we speak of oranges they are the ordinary navel oranges this season of the year, without seeds, used for slicing or any general purpose. The Florida oranges are a different type. They have seeds in them and are thinner skinned oranges, mostly used for juice purposes.

Mr. Christensen has some comments to make regarding that last item, February 3, Lococo Brothers, Niagara Falls.

The WITNESS: On January 27, S. Leone, Toronto, billed J. Craig, Toronto, for a case of 200 size oranges, the same size as just referred to and charged him \$7.50 as against this \$6.25. In other words, they were \$1.25 higher in Toronto than they were delivered at St. Catharines.

Now, I have a telegram I should like to read to you.

Ten cases oranges size two hundreds covered by invoice Lococo Brothers to us February second at six dollars twenty five cents were part of a carload shipped to seller from California Fruit Growers Exchange which arrived Niagara Falls Ontario January twenty ninth last stop Regarding carrots same suppliers present cost from Louis Davey FOB Holland Marsh three dollars freight here twenty six cents total costs three dollars twenty six cents reselling to us at three dollars fifty cents.

That is \$3.50 for a bushel of carrots.

By Mr. Beaudry:

Q. May I ask you a question? Could you possibly tell me what the average retail price of grapefruit was in Toronto on or about the 10th of February of this year?—A. The retail price?

Q. Yes.—A. I am sorry, I am not in the retail grocery business. I am not a retailer.

By Mr. Cleaver:

Q. I understood that you represented the retailers?—A. I do, but I do not have to be a retailer because I represent them.

Q. I am not suggesting you would have to be a retailer, I am suggesting you would have the answer to that question?—A. That I would know—

Q. That you would know the retailers mark-up on the shipment?—A. He did not ask me that.

By Mr. Beaudry:

Q. I should like to put my question again. Would you have any means of being able to tell this committee what the average retail price of grapefruit was in or about Toronto on or about the 10th of February of this year?—A. I could not tell you that, but I could find out.

Mr. JAMIESON: Just from casual observation, five cents to six for a quarter.

Mr. BEAUDRY: From five cents to six for a quarter?

Mr. JAMIESON: For the 96 size, approximately 5 cents each.

Mr. CLEAVER: What would be the percentage mark-up that the retailer would ask?

The WITNESS: That he was permitted to add under the wartime regulations?

By Mr. Cleaver:

Q. No, that he would add to these different shipments?—A. Different retailers would add different amounts. There is no law now. Mr. Chambers is here and he could answer this question.

By Mr. Beaudry:

Q. May I continue my questioning, please? From your answer, Mr. Jamieson, therefore the retailer would make approximately $1\frac{1}{2}$ cents profit on his cost price on each grapefruit sold on or about that date, whereas according to your figures the wholesaler has made a profit of about one cent per grapefruit on his cost price, on or about that date?—A. If he sold them 6 for a quarter, he would not make that.

Q. Mr. Jamieson said one basis we could go on would be approximately 5 cents per grapefruit?—A. He said 5 cents or 6 for a quarter, there is a very great difference.

The CHAIRMAN: Are you finished with your questioning, Mr. Beaudry?

Mr. BEAUDRY: Yes, Mr. Chairman.

The CHAIRMAN: Are you finished with your questioning, Mr. Cleaver?

Mr. CLEAVER: Yes, Mr. Chairman.

By Mr. Cleaver:

Q. What percentage of mark-up are retailers using now with respect to grapefruit and oranges?—A. There is no law regulating the mark-up today.

Q. I am asking you what the practice is?—A. We can read from here and tell you what our suggestions to them are but we cannot compel them to do anything. Here is what we ask them to do.

The CHAIRMAN: Mr. Cleaver asked you a question. If you cannot answer it say so.

The WITNESS: I can answer you as to what we suggest they take.

The CHAIRMAN: That was not his question.

The WITNESS: Nobody can answer his question intelligently.

By Mr. McCubbin:

Q. I see where Mr. Gibson, a retailer in Utterson, Ont., purchased from National Grocers one case of oranges for an average of 30 cents a dozen, or 29 point something. No doubt you have some word from Mr. Gibson and did Mr. Gibson say what his selling price for the oranges was?—A. He did not mention it. There was no reason for mentioning it.

Q. We are trying to investigate what it cost the consumer. We are not interested in the wholesaler and retailer, we are interested in the consumer.

Mr. FLEMING: Are we not interested in it all?

The CHAIRMAN: Let Mr. McCubbin finish.

Mr. MCCUBBIN: We want to know what the consumer paid to the retailer.

The WITNESS: We have evidence on that. We are not through, and I would at this time like to read a statement.

By Mr. Dyde:

Q. This is your own statement?—A. It is very pertinent to the question just asked.

Q. It is your own statement?

Mr. MAYHEW: Are we going to have an opportunity of finding what the price of citrus fruit was before November 17th?

The CHAIRMAN: We will have to get the facts, certainly.

Mr. JAMIESON: I answered that question yesterday. There is no basis of comparison because it was an entirely different type of orange. At that season of the year you are finishing with what is known as the summer type orange, and at this time of the year you are into Valencias, a type which usually comes through at about American Thanksgiving time, the 3rd of November.

The CHAIRMAN: What about a comparative period though, for instance a year ago?

Mr. JAMIESON: There is no basis. It is a matter of crop conditions in California.

The WITNESS: I do not think you understand. How does the price of oranges compare we will say on about the 17th of November with the price of oranges on the 17th of November in 1947?

Mr. JAMIESON: I answered the question yesterday. There is no basis for comparison; you are talking about two different types of oranges.

The WITNESS: They were, of course, higher, but how much? We can find out from the Wartime Prices and Trade Board but they are very much higher. Now may I read this statement? This is a statement made by Mr. Jamieson in a report to me. He says:

Three weeks ago, in London, Ontario, Loblaw's advertised a number of items, priced for that week-end, much lower than in their other stores in Toronto.

One of these items was California Oranges, size 344.

The 344 size cost Loblaw's, a direct importer, approximately \$3.55 laid-in on their warehouse R.R. track in Toronto, which is approximately 13 cents per dozen and were listed in this special advertisement to the consumer at 19 cents per dozen, a mark-up of approximately 31½ per cent of their selling price.

This same brand of 220 size California oranges were offered for sale, the same day, in their Toronto stores at 25 cents per dozen, a mark-up of approximately 48 per cent of their selling price, based on their laid-in cost of California oranges imported by them under their quota of U.S. dollars permitted.

The direct-buying retailers, operating their own warehouse, such as A. & P., Dominion, and Loblaw's are adding to the number of cases of oranges permitted them by the use of their quota allocation of U.S. dollars by buying quantities of these oranges from the Toronto Fruit and Vegetable Wholesalers, at approximately the same prices being paid by the small retailer.

These direct buying retailers, have in the past, purchased what is termed "fill-ins" from the Toronto Fruit and Vegetable Wholesalers, but the bulk of their requirements were in the past purchased at the source.

The shortage, already created by the restriction in the use of U.S. dollars, is thereby further aggravated for the independent retailer, by reducing the supply available to him, thereby bidding up the price.

Mr. McCUBBIN: Is that a statement or letter?

The WITNESS: That is a statement.

The CHAIRMAN: That is the report from Mr. Jamieson?

The WITNESS: It is a statement made by Mr. Jamieson which he has asked me to read. It is prepared by W. S. Jamieson at the request of George Christensen.

Mr. JOHNSTON: May I ask about the statement here? The witness has just gone through the full statement and he has indicated certain prices were paid by the retailers to the wholesaler. Now has he got the invoices to table with the statement to verify those prices?

Mr. MACINNIS: They have been tabled. They have been tabled as Exhibit 5.

The WITNESS: Now in this report Mr. Jamieson says:

When in Ottawa last Saturday, I purchased one dozen California oranges 288 size, packed in a cellophane bag for 25 cents at Loblaw's, 139 Rideau Street.

The day previous, in Toronto, I saw the same brand of California oranges, 288 size, packed a dozen in a cellophane bag, being offered in Loblaw's stores at 31 cents.

These oranges imported direct by Loblaw's under their U.S. dollar allocation would lay-in Loblaw's R.R. track at their Toronto Warehouse at an approximate cost of \$3.80 per case of 288 or 16 cents per dozen, which when sold at 31 cents per dozen, show a mark-up of approximately 48 per cent of selling price.

There is Loblaw's mark-up and there is the chain stores'.

I guarantee there is not one independent in a thousand gets that high a mark-up.

By Mr. Beaudry:

Q. What is the amount which is customarily estimated by the wholesale trade as spoilage percentage during warehouse holding?—A. Pardon me sir?

Q. What is the amount which is customarily estimated by the wholesale trade as spoilage percentage during warehouse holding?—A. They are allowed 3 per cent.

Q. I did not ask you what was allowed.—A. Pardon me, sir. For instance if they get a carload of oranges or have received a carload of oranges, if the shrinkage is not more than 3 per cent the shipper does not consider a claim.

Q. That is true of the shipper but I mentioned warehousing?—A. There was a very exhaustive survey made during the war by the Wartime Prices and Trade Board who have all those figures and they are very easily available.

Q. You have not got them available yourself?—A. No I do not carry all that around myself.

Q. Would you have figures as to what is considered in the retail trade the normal percentage of spoilage during holding?

The WITNESS: Mr. Dee, who is in charge of the fruit and vegetables business of Dominion Stores showed me a report one time that their shrinkage varied from 5 to 10 per cent depending on the locality and whether the goods came in carload lots or local shipments, and on how long they were on the road. There are a dozen or more factors that enter into that. If a man gets oranges right out of the car absolutely fresh, early in the season when they have not been stored any length of time, and the jobber takes them right up to him and sells them immediately he might possibly get away without any loss at all. On the other hand during the war the Wartime Prices and Trade Board permitted a shrinkage of 5 per cent on Florida oranges. In other words, instead of the 25 per cent allowed on California oranges they permitted 30 per cent on Florida oranges.

By Mr. Pinard:

Q. What about California oranges?—A. Pardon me, sir.

Q. Would you have that same information available for the committee in respect of California oranges?—A. The Wartime Prices and Trade Board have it.

By Mr. Beaudry:

Q. May I resume? The retail trade would find it customary to estimate its normal percentage of spoilage at 5 to 10 per cent but you have no figures available as to what the wholesale trade would consider its spoilage?—A. I have the experience of 45 years—

Q. I cannot put your experience down on paper but I can put down figures.—A. Well you can get the information if you ask for it from the Wartime Prices and Trade Board. Mr. Jamieson is also sitting here and he has it.

Mr. McCUBBIN: He is not the witness.

The WITNESS: You can get the information without any difficulty at all.

The CHAIRMAN: Mr. Beaudry is trying to be helpful and if you have not got the information just say that you have not got it and we will get it from another witness.

The WITNESS: Mr. Chairman, would you expect me to have that information? There are 35,000 retailers in Canada and I cannot tell you about their shrinkage.

The CHAIRMAN: Just say that you have not the information available. There is no conclusion to be drawn from that, just say it.

By Mr. Lesage:

Q. I want to know how it is possible with 45 years experience in the wholesale fruit trade the witness cannot say what the usual percentage of spoilage in the wholesale trade is?—A. My dear sir, have you a copy of my statement made yesterday? If not, there is one here and I did not make any such statement as you have now said I made.

Q. You just said you had 45 years experience.—A. I said 45 years experience in the food business, not in selling oranges.

Q. In what?—A. The food business.

Q. I see.

Mr. FLEMING: Are there copies of the statement?

The WITNESS: There is a copy of the statement I made yesterday.

By Mr. Lesage:

Q. How long have you been in the fruit business, if you have ever been?—A. I operated at different times several hundred retail stores that sold fruit. I worked in stores, and I bought fruit direct from the growers and from wholesalers.

Q. How long have you been in the wholesale fruit business?—A. What do you mean the wholesale fruit business?

Q. You said you have been in the retail fruit business?—A. I bought fruit from the producer, in carload lots and otherwise, for the supply of our stores and also to supply some independent merchants with whom we had arrangements.

Q. Well when you acted as such what was your usual percentage of spoilage?—A. Would you expect me to tell you that?

Q. Well of course, it is only natural.—A. I retired from the grocery business in 1935.

Q. But cannot your memory help you?—A. I am not even going to try to remember what the shrinkage on oranges was in 1935. It is a very irrelevant question.

Mr. IRVINE: I do not think we should be bulldozing the witness.

Mr. LESAGE: It is relevant and I think the witness is not the judge of whether a question be relevant or not.

The WITNESS: I have a right to my opinion.

Mr. LESAGE: I submit, respectfully, Mr. Chairman, that this line of questioning is relevant. We have to test the knowledge of the witness; it is only natural and it is usual. We do it every day in court. That is the way we proceed, and I want to pursue my question; I am not through with my question.

Mr. MACINNIS: This is not a police court.

The WITNESS: It is almost.

Mr. MACINNIS: It is a parliamentary committee.

The WITNESS: It is awful close to being it, brother.

The CHAIRMAN: Mr. Christensen, I suggest to you that you only answer the questions and we will get along. I do not think you should make any observations at all.

Mr. MACINNIS: The witness was not giving evidence on spoilage, he was giving evidence on prices and he made a statement. Now we have no business questioning him on the matter of spoilage when he has no evidence on that, and he said he had not.

Mr. BEAUDRY: I submit, Mr. Chairman, that spoilage very definitely is going to affect the retail price and the mark-up. I think it is relevant.

Mr. MACINNIS: Yes, but let us get that from somebody who can tell us.

Mr. PINARD: If the gentleman does not know he can say so.

Mr. LESAGE: I want to cross-examine him on those very things.

Mr. MACINNIS: You are not going to cross-examine him on something he does not know?

Mr. IRVINE: Cross-examine on facts then.

Mr. LESAGE: It is usual to cross-examine someone on the reasons why he does not know.

The CHAIRMAN: Proceed, Mr. Lesage.

By Mr. Lesage:

Q. Can you refresh your memory and answer my last question?—A. State the question, please.

Q. What was your usual percentage of spoilage when you were in the wholesale fruit business?—A. I would not attempt to answer that question. I retired from that business in 1935.

Q. Why would you not attempt to answer my question?—A. I try to stick to facts, and not guess work.

Q. I am not asking for guess work.—A. Must I put up with this sort of thing?

Q. I am asking your experience.—A. If I must answer that, I demand that the meeting adjourn until I can get an attorney. I am not going to stand for that.

Q. I will leave the witness.

The CHAIRMAN: Mr. Lesage has concluded by leaving you. Are there any other questions?

Mr. BEAUDRY: Yes. I am sorry I was unable to be present yesterday and I may be going back over something which has already been discussed. I have here a clipping from the *Toronto Daily Star* dated February 13 and I would like to refer to the second paragraph of that statement.

The CHAIRMAN: I should point out, Mr. Beaudry, that the witness has told the committee that that statement did not represent what he had said to the reporter at the time of the interview.

Mr. BEAUDRY: Thank you.

The CHAIRMAN: And, as we laboured over that at great length yesterday I think it would be better if we did not have to go over that ground again today.

Mr. BEAUDRY: I withdraw my question.

The CHAIRMAN: Thank you, Mr. Beaudry.

By Mr. Cleaver:

Q. I would like, Mr. Chairman, if I could, to find out from Mr. Christensen, what the retailer is paying for the oranges and the cost of those oranges laid down in Canada. Could you work out, Mr. Christensen from any one of the invoices shown on your statement, figures which would show us what the consumer is paying for those oranges?—A. May I put it this way, please. I will read this list to you—you gentlemen should have a copy of this. The reason we sent it out, we were getting hundreds of complaints from retailers saying that they were paying too much for oranges and so we decided to see what the wholesalers' cost was, because hundreds of complaints were received on this. We decided that we would find out the approximate laid-down cost at Toronto, wholesale basis, on the recent quotations, which are subject to daily market changes. During the time when controls were on the mark-up permitted was 15 per cent. Here is a statement:

We suggest you limit your retail mark-up to NOT more than 25 per cent of selling price California and Texas citrus fruits and to not more than 30 per cent of your selling price on Florida oranges and Messina lemons.

Q. Now, let us for a moment then anticipate that the retailer on the first item on this sheet complied with your suggestion and made a mark-up of 25 percent. You are familiar with the way these percentages are figured. Now, would you tell the committee what one orange in that crate of 344 would cost in cents laid down?—A. Would it not be better to tell you by the dozen and then you could figure out the individual orange?

Q. All right, let us have it by the dozen.—A. Make it a dozen, if you don't mind. I am not very good at figures.

Q. And, what the consumer would pay for that same dozen oranges?—A. Would you let my expert speak about merchandising?

The CHAIRMAN: All right, Mr. Jamieson.

Mr. JAMIESON: If the association's suggestion as submitted a mark-up of not more than 35 per cent, was followed on these oranges they would sell for 25 cents per dozen.

Mr. CLEAVER: What would these oranges laid down in Canada cost the wholesaler?

Mr. JAMIESON: The cost to the wholesaler is \$3.60.

Mr. CLEAVER: I want the per dozen cost.

Mr. JAMIESON: You just have to divide that by approximately 28.

Mr. CLEAVER: All right.

Mr. JAMIESON: I think the example that was read here of Loblaws gives you that very answer you are asking for, sir; approximately 13 cents.

Mr. CLEAVER: And the cost to the wholesaler was 13 cents and the consumer paid 25 cents?

Mr. JAMIESON: That is right, sir.

Mr. JOHNSTON: Would that be what you consider an unfair mark-up?

Mr. JAMIESON: Pardon me. I cannot hear very well.

The CHAIRMAN: Would that be considered an unfair mark-up?

The WITNESS: That is unreasonable, sir.

Mr. JAMIESON: It is an unreasonable spread brought about because we say of an unreasonable spread by the wholesale concerns.

Mr. WINTERS: In the column headed, "approximate laid-in cost in carload lots to wholesaler including freight", I wonder if the witness could say what items are included in that approximation, and how close he thinks that approximation is to the actual.

Mr. JAMIESON: Within 5 or 10 cents.

Mr. WINTERS: What costs are included in that approximation?

Mr. JAMIESON: That is freight, heaters (if necessary) and such like, maintenance of the car in transit—that may be ice in the summertime or heaters in the wintertime.

Mr. WINTERS: You think that would be about 5 per cent?

The WITNESS: Within 5 to 10 cents.

Mr. BEAUDRY: Would the witness supply us through counsel with accurate figures on which these approximate figures are based?

The WITNESS: No.

Mr. JAMIESON: Might I enlighten the gentleman by saying that by deducting \$1.55 from these figures you could arrive at the f.o.b. cost, California.

The WITNESS: Approximately.

Mr. JAMIESON: Deduct \$1.45 from Florida and Texas and you arrive at the f.o.b. cost at those points.

By Mr. Winters:

Q. May I ask whether or not this association extends across Canada; are you active in all provinces of Canada?—A. We are active in New Brunswick, Quebec and west. We are not very active, except through affiliation, in Nova Scotia.

Q. This approximation of 25 cents per dozen cost applies only in the Toronto area?

Mr. JAMIESON: In the Toronto area.

Mr. WINTERS: What would that be in the Saint John district?

Mr. JAMIESON: I cannot tell you that.

Mr. WINTERS: Have you any indication of what these oranges cost the consumer in Nova Scotia?

Mr. JAMIESON: No.

The WITNESS: No, sir; the survey was made only in the Ontario area.

Mr. MAYBANK: Apparently all of these things come first to Toronto, do they not?

Mr. JAMIESON: No. I would answer your question in this way, these are bought f.o.b. shipping point and go direct to their destination.

By Mr. Cleaver:

Q. I wonder, Mr. Chairman, if I might have one more follow-up question. What was the normal mark-up prior to the war on a dozen of oranges?—A. It varied. There was no law governing it. The dealer could take 5 cents or 35 cents or he could give them away, he could do anything he liked.

Q. Would you mind telling me what the normal mark-up was?—A. There was no such thing as a normal mark-up, they could take what they liked.

Q. Then how are we to say what would be reasonable and what would be unreasonable?—A. I will tell you what we did, so far as our own business was concerned and in the highly competitive field; they take from 20 to 25 per

cent, depending on the time of the year, the amount of shrinkage and the volume of demand. There are times during the year when you will have a tremendous demand for oranges and you can move them very fast and you can afford to take a small mark-up.

Q. And I was going to ask you if the 25 per cent refers to the mark-up imposed by the retailer. I want to get at the total mark-up by the wholesaler and the retailer.—A. I have already made the statement that it varies all the way from 10 to 50 a case so far as the wholesaler is concerned previous to the war or in normal times.

By Mr. Fleming:

Q. I notice the dates of the invoices on the sheet supplied to us are all comparatively recent, the earliest one there is January 27 and the most recent is February 12. May I ask if Mr. Christensen has invoices from earlier periods?—A. We can secure them.

Q. Do you happen to have them with you?—A. I do not know if we have any. Have you any, Mr. Jamieson? I think we would have some.

Mr. JAMIESON: I have this many, gentlemen (disclosing a large brief case filled with invoices) if you care to have them—hundreds of invoices.

Mr. FLEMING: I would suggest that perhaps Mr. Jamieson in cooperation with Mr. Wilson might run over these and prepare a table so that we may be able to judge whether the table we have before us representative. May I ask Mr. Jamieson if he could tell us what is the earliest invoice that he has in his bag?

Mr. JAMIESON: I might say in preparing this it was done in order to attempt to simplify the inquiry. It might be in order also to state, Mr. Chairman, that the agitation which developed with respect to unfair mark-up by the wholesaler started after the first of the year.

Mr. MAYBANK: You say the agitation started?

Mr. JAMIESON: Amongst the retailers.

Mr. MAYBANK: You say that is the result of a month and a half and that your experience started after the first of the year?

Mr. JAMIESON: It began to show up about the middle of January.

Mr. MAYHEW: Could you give us a similar statement basing it on November 1, say the first two weeks in November.

Mr. JAMIESON: That could be done, but considerable time would be required to get that information. You would have to go back to the sources of supply and ascertain, naturally, the proper facts regarding f.o.b. cost.

Mr. MAYHEW: We have to have some information of that kind.

Mr. JAMIESON: May I offer this suggestion; that there may be other people in the industry who could give you those figures, who might be in a position to supply you with that material very readily.

The CHAIRMAN: I suggest that Mr. Wilson, our accountant, examine the material this witness has for our future study in connection with this matter.

Mr. JAMIESON: May I say, Mr. Chairman, all the material we have at the moment is these retailers' invoices.

Mr. BEAUDRY: Would these in your mind constitute material of importance in the form of evidence of price rises in this field?

Mr. JAMIESON: Yes, and we have plenty more equally bad.

Mr. BEAUDRY: Would these suit the purpose?

Mr. JAMIESON: None better.

Mr. BEAUDRY: I am not trying to restrict, but is this a fair list?

Mr. JAMIESON: Very fair, in my opinion.

Mr. BEAUDRY: Some of the most glaring instances of excessive profit taking?

Mr. JAMIESON: On the question of mark-up we have included ones down as low as 16 per cent. We have tried to be very fair in presenting this picture to you.

Mr. BEAUDRY: But in your opinion, over a period of time, these constitute a very fair list for our purposes?

Mr. JAMIESON: Yes.

The WITNESS: I would like to say that we had numerous telephone calls from the Niagara Peninsula where retailers complained that they paid up to \$10.00 for oranges. We asked that they send us the invoices but they said they could not do that because they had paid cash. On telephoning the wholesalers they said it had been an error, they thought they had made an error and billed for what they thought was a larger orange. I think they were honest about that so we did not use it. We have tried to be fair in this thing. We have no axe to grind, except to try to get a square deal.

Mr. BEAUDRY: Repeating my question; this in your opinion constitutes a fair list indicating the general situation without any leanings toward one side or the other?

Mr. JAMIESON: Definitely, sir.

Mr. BEAUDRY: Thank you.

Mr. JAMIESON: For your private information, not for the record, I would just like to make this comment—

Mr. FLEMING: Can we take a statement of that kind, Mr. Chairman?

The CHAIRMAN: I think not, at the moment.

Mr. FLEMING: Mr. Jamieson, you indicated some time ago that on account of the change in quality it was difficult to make a comparison in the price of oranges after November 17 with those which prevailed prior to November 17?

Mr. JAMIESON: Yes.

Mr. FLEMING: And then the same thing applied to lemons and grapefruit?

Mr. JAMIESON: You can get a comparison on grapefruit, excepting that that is the earlier part of the season. The season used to start around mid October and the orchards are in flood production in the early part of the year. I think you will understand that the peak of the season does not develop till towards usually after the turn of the year. April is the big producing season for grapefruit. In lemons we had some change because we were getting California lemons prior to November 17, and since November 17 almost exclusively they have come from Messina, Italy, that changes your picture so far as lemons are concerned.

By Mr. Beaudry:

Q. Strictly as a matter of information, it may not have any bearing on this at the moment, would you be able to tell us how much time elapses between let us say the production of the grapefruit or oranges and the eventual consumption? I am not trying to pin you down. You may be able to give us a definite standard or figure.

Mr. JAMIESON: May I say, of course, that depends entirely on the district, area, time elapsed in transportation. I will put it this way, that we usually figure from ten to twelve days at the outside from California to arrival on the market, approximately eight days from Florida and Texas for the arrival on the Toronto market and similar large points.

Mr. BEAUDRY: How long normally can produce be kept after it has reached its point of destination before actual sale for immediate consumption?

Mr. JAMIESON: Again depending on the season of the year, but at this time of the year under normal weather, provided it has not been subject to frost damage, up to two weeks you will find very little in the way of development of shrinkage, ten days to two weeks.

Mr. BEAUDRY: So in the average case across Canada—

Mr. JAMIESON: For this season of the year.

Mr. BEAUDRY: Consumption would follow production by two weeks, or follow picking by two weeks?

Mr. JAMIESON: Yes.

Mr. FLEMING: One of the witnesses indicated that the protests about the prices being charged to them by the wholesalers began to come from the retailers about the middle of January.

Mr. JAMIESON: The early part of January.

Mr. FLEMING: Was that the first time protests had come to you? I am not confining this to a matter of months. We will say since the end of the war.

Mr. JAMIESON: Pardon me, Mr. Fleming?

Mr. FLEMING: Had there been any earlier protests, not confined necessarily to the last couple of months, on that score?

Mr. JAMIESON: I have not got that quite right.

The WITNESS: Mr. Jamieson was not with us at that time. He retired from Loblaws and he was not acting as consultant to us at that time.

By Mr. Fleming:

Q. Would you answer that question?—A. Would you please repeat it?

Q. Mention was made of the fact that protests began to come from the retailers about the prices of fruit being charged to them by the wholesalers early in January of this year. I am asking now is that the first time that protests of that kind came from the retailers?—A. No, we started getting very serious protests immediately after the 17th of November, and we had some meetings with the wholesalers and discussed that.

Q. What was the nature of the protests you were receiving?—A. There was a tremendous jump in the price of oranges immediately after November 17 when the embargo was put on or they reduced the amount they could bring in.

Mr. LESAGE: Are you satisfied, Mr. Fleming?

By Mr. Fleming:

Q. You say there was an increase immediately after the 17th of November. To whom, and at what stage of the turnover?—A. To the retailer.

Q. Only to him?—A. Well, you see oranges went down in California at that time. As I remember I think they declined about 25 cents immediately the embargo went on. The restriction had depressed the California market.

Q. Do I understand what you are saying is when the embargo came into effect at midnight on the 17th of November prices on stocks of fruit already in storage in Canada— —A. They skyrocketed.

Q.—were advanced?—A. They skyrocketed.

Q. To what extent? Have you got any figures on the extent of the advance?—A. I had no idea that was coming up at this time. We can get them for you. We would be glad to telephone for them tonight and have these men gather them up tonight and have them up here on tomorrow morning's train.

The CHAIRMAN: We can get those figures quite conveniently.

By Mr. Beaudry:

Q. When was your association founded?—A. I do not know that. I have not been with them long. I was with the Wartime Prices and Trade Board up till a few years ago. Then I organized the foods administration. I think they are about 50 years old. It seems to me they celebrated their 50th anniversary last year, I think it was.

Q. Would you know now or have available the series of reasons or motives which prompted the retailers to group themselves into an association?—A. I think I tried to explain that in my statement yesterday. Have you a copy of that statement?

Q. I have copies of two statements.—A. I like to see things like that down on paper.

Mr. FLEMING: May I continue my questions while Mr. Beaudry is looking over that statement?

Mr. CLEAVER: I have one more question.

The CHAIRMAN: Mr. Beaudry has his cue.

By Mr. Beaudry:

Q. I see in your statement you say that your organization is an organization of independent food retailers formed for the purpose of improving the efficiency and protecting the interests of the so-called independent merchant. Are you in a position to know or are you able to tell us whether those two apparently most important motives were of similar importance at the time of the foundation of the association?—A. I was not in Canada fifty years ago. I did not form the association. I would not pretend to tell you what was in the minds of those men fifty years ago.

Q. You have already said in your statement:

I am George Christensen, National Director of the Foods Division of the Retail Merchants' Association, an organization of independent food retailers formed for the purpose of improving the efficiency and protecting the interest of the so-called independent merchant.

Are you going back on that statement?—A. No, no, brother; I never go back on a statement.

Q. Your statement says— —A. Go on and read.

Q. Mr. Chairman, please. You have made a statement as to the association. You said the association was formed for those two purposes. I am asking you verbally whether either of those was more important than the other. You tell me you do not know why it was formed.—A. I know why the foods division was formed some three years ago when I organized it, and I said in there why it was formed.

Mr. FLEMING: Coming back to the line of questions I am seeking to follow—

The CHAIRMAN: I do not want to press the committee, but can we not hurry with this?

By Mr. Fleming:

Q. Mr. Christensen, looking again at the table you have submitted to the committee today have you any knowledge as to whether the oranges and the other fruits which are the subject matter of the invoices referred to here, were or were not imported into Canada after the 17th of November?—A. The dates should indicate that, February 6.

Q. That is the invoice as I understand it from the wholesaler to the retailer, but I am asking you if you have any knowledge as to whether those fruits, which are the subject matter of these particular invoices, entered Canada before or after November 17?

Mr. BEAUDRY: We have already established a spread of approximately twelve to fifteen days.

The WITNESS: It is not likely they would have carried oranges from November into February.

By Mr. Fleming:

Q. In other words, these are oranges that came directly from the rails; they were not in storage in Canada.—A. I could not vouch for that, of course.

The CHAIRMAN: He has already answered that twice.

The WITNESS: I do not see their stocks. There is no way in the world I can vouch for that.

Mr. HOMUTH: Will you ask Mr. Christensen whether or not it is customary to keep citrus fruits in cold storage? Perhaps that might give us the answer.

Mr. BEAUDRY: We have that question on record, and the answer that the average time elapsing between picking the fruit and consumption is between 12 and 15 days.

Mr. HOMUTH: They may still keep some in cold storage.

The WITNESS: Gentlemen, may I clarify this? These are approximate costs on a laid-in basis on recent quotations. These approximate costs are not based on quotations on California or Florida oranges last November. It is unfortunate you gentlemen have not had this because it explains all these things. Maybe it would be a good idea to have a lot of these run off before tomorrow. We are not trying to keep anything back, you know.

By Mr. Fleming:

Q. I think in view of what you have said we can assume these are oranges or other fruits that have entered Canada since the 17th of November.—A. Most of them, surely.

Q. I wonder if Mr. Jamieson in going over the other invoices with Mr. Wilson could locate any that represent sales in Canada of oranges that were in Canada on the 17th of November?

Mr. JAMIESON: We can find them.

The Witness: If they are not here we can send and get them here by tomorrow.

By Mr. Fleming:

Q. Coming back to these protests you received did anybody take any steps or do you know of any steps being taken by the retailers or on their behalf to report these advances to the Wartime Prices and Trade Board?—A. Well, we reported them. I reported them to Mr. Grisdale.

Q. When?—A. I cannot tell you the exact date. It must have been soon after February 3.

Mr. JAMIESON: Approximately February 1 or 2.

The CHAIRMAN: Between the 1st and the 3rd.

The WITNESS: This was made out on the 3rd. I would imagine it was somewhere around the 5th. We got quotations from the wholesalers. Mr. Jamieson got quotations from the wholesalers.

The CHAIRMAN: It is clearly around February 1.

The WITNESS: So he could see what the wholesalers were charging and then I called Mr. Hall, the foods officer for the Wartime Prices and Trade Board at Toronto, and told him about this, told him how serious the situation was, and that I could not hold the retailers any longer. They insisted something had to be done, and before another twelve hours they had busted the thing open.

The CHAIRMAN: Let us go on.

By Mr. Fleming:

Q. Do you know of any action taken by the board in the light of that protest?—A. I did not even get a reply to my letter.

By Mr. Lesage:

Q. Have you a copy of your letter?—A. I never got a reply.

Q. Have you a copy of your letter?—A. Not here; I have it in Toronto.

By Mr. Fleming:

Q. Can you file with the committee a copy of the letter you sent to the board?—A. I can get it. Would you like to have it?

By Mr. Pinard:

Q. We have heard a lot about oranges, but since your organization is engaged in the distribution of food in general have you received protests on any other matter?—A. Pardon me?

Q. Have you received protests on any other items than oranges, grapefruit and lemons?—A. I am sorry to say we have received thousands of them.

Q. On what?—A. A great number of items but if we are going into that we will be here a month.

By Mr. Lesage:

Q. Mr. Christensen, is it a fact that the laid-in cost of oranges to wholesalers in Canada decreased after the 17th of November?—A. Can you answer that?

Mr. JAMIESON: What is the question?

The CHAIRMAN: Is it a fact the price of oranges decreased?

Mr. LESAGE: The laid-in cost to wholesalers.

The CHAIRMAN: The laid-in cost to wholesalers decreased after the 17th of November?

Mr. JAMIESON: That is the report we have.

By Mr. Lesage:

Q. That is the report you have? Now, Mr. Christensen has said in his opinion after November 17 the retail price of oranges skyrocketed. Is that correct? You said that?—A. The cost to the retailer.

Q. The retail price?—A. I did not say retail price. I said the cost to the retailer skyrocketed.

Q. The cost to the retailer skyrocketed.—A. I am not getting into any argument with you. Have it your own way.

Q. So in your opinion— —A. Are you telling me my opinion now?

Q. I am asking your opinion.—A. That is better.

The CHAIRMAN: Mr. Christensen, just answer the questions and no comments, please.

The WITNESS: I am not going to stand for this sort of thing.

The CHAIRMAN: No comments, and we will get along very well.

Mr. LESAGE: I am asking a perfectly clear question.

The WITNESS: That is what you say.

The CHAIRMAN: If I think the questions are improper I will stop the interrogation.

By Mr. Lesage:

Q. Is it your opinion that the cause of the rise in the wholesale price of oranges after November 17 was undue profit taken by wholesalers?—A. That is a misleading question.

Q. Oh no.—A. Absolutely, very misleading.

The CHAIRMAN: I think that is a very fair question, Mr. Christensen. What is your answer, or do you not want to answer?

The WITNESS: You are not a fruit man. I beg your pardon, but I do not think either one of you are qualified to say whether it is fair or unfair.

The CHAIRMAN: Witness, you have been asked a question. Can you answer it or not?

The WITNESS: It cannot be answered.

Mr. LESAGE: Mr. Reporter, would you read my question, please.

Reporter reads:

Is it your opinion that the cause of the rise in the wholesale price of oranges after November 17 was undue profit taken by wholesalers?

By Mr. Lesage:

Q. That is a clear question.—A. We made a statement yesterday in which we stated that in our opinion shortage of oranges, or words to that effect, was the cause of the high prices.

Q. I am not talking of shortage. I am asking you if in your opinion undue profit by wholesalers was the cause of the rise? It is a simple question.—A. I still do not understand it. I must be dumb.

Q. Well, I will not make any comment on that. I want to pursue that because I want to know if the cause of the rise in the price of oranges in the opinion of the witness was undue profit by the wholesalers after November 17. I stick to my question and I want an answer to it.—A. I still do not understand what you are talking about, brother.

Q. First of all, I am not your brother. I ask the witness to be polite.

By the Chairman:

Q. Mr. Lesage is asking you a question, as to whether or not, in your judgment, there has been any undue profit in connection with wholesale prices?—A. He did not ask that question. If he had I would have answered it.

Q. Will you answer my interpretation of the question?—A. To your question, say yes.

By Mr. Lesage:

Q. So, the cause of the rise was undue profits?—A. I did not say that. That is your statement, not mine.

Q. Well, is not that the consequence of your answer?—A. No. You are not going to put words in my mouth.

Q. What was the cause, then, of the skyrocketing?—A. We have already stated that on two separate occasions, one yesterday and just now to the chairman.

By Mr. Pinard:

Q. Undue profits had nothing to do with it?—A. I did not make that statement.

Q. Did you say undue profits had nothing to do with it?—A. No, I did not.

Q. Was it one of the causes?—A. How long is this going on, Mr. Chairman? I hope they are having a lot of fun.

The CHAIRMAN: Put your question, Mr. Lesage.

By Mr. Lesage:

Q. Was it one of the causes of skyrocketing of prices at the end of November?

The CHAIRMAN: I do not think he got that question because I do not think I got it.

The WITNESS: You interpreted the question and I answered it when you interpreted it.

By Mr. Lesage:

Q. Were undue profits a cause of skyrocketing prices?—A. The chairman interpreted your question and I said yes to it.

Q. I am asking my question again?—A. I cannot understand it.

Q. Was undue profit after November 17 by wholesalers a cause, if not the cause of the skyrocketing of prices in oranges?—A. That would be matter of opinion.

Q. What is your opinion?—A. Supposing I have not any opinion.

Q. You have no opinion?—A. I did not say I did not have, I said supposing I have not.

Q. I want yours, and I have a right to an answer?

By The Chairman:

Q. Mr. Christensen, may I ask what is your opinion about that?—A. That is a misleading question.

Q. Yes, but would you give me your opinion as to whether or not profit, which you say were undue on the part of the wholesalers, was a factor in your opinion in the skyrocketing of prices?—A. May I put that so you will get the information you want?

Q. Yes.—A. We have already proven conclusively that after the embargo or partial embargo was put on citrus fruits, the prices skyrocketed and the wholesalers took as high as five to six times the profit that the government allowed them under price control. If anybody cannot figure it out from that. I give up.

By Mr. Lesage:

Q. As a matter of fact and of simple reasoning then, if the wholesalers had not taken such a profit, prices would not have skyrocketed; is that true?—A. You may think so; I do not know.

Q. I am asking you. It is a simple question?—A. I don't know that anybody can answer that for us.

Q. If nobody had taken an undue profit?—A. Nobody can answer that intelligently.

By Mr. Cleaver:

Q. May I ask the question another way? Coming back to the dozen oranges we were talking about a while ago, referred to in the first item in the statement tabled by you today—A. Mr. Jamieson was talking about the dozen oranges. I talked about cases.

Q. You told us those oranges would be selling to the consumer at 25 cents a dozen and that the cost to the wholesaler would be 13 cents?

Mr. JAMIESON: Approximately, yes.

Mr. CLEAVER: May I ask this question; if the wholesaler had adopted the normal practice of simply adding 15 cents a case profit on those oranges, what would the consumer in that event have paid?

Mr. JAMIESON: I want to clarify that. I used 15 per cent on the selling price.

Mr. CLEAVER: Would you add 15 per cent and then the retailer's 25 per cent, then tell the committee how much a dozen the consumer would have paid for the oranges?

By Mr. Mayhew:

Q. While Mr. Jamieson is figuring that out, may I ask a question? You say that the wholesale price or the price to the retailer increased very rapidly after the first of the year?—A. I said it jumped up right after November 17.

Q. You said the Canadian price of oranges jumped right after November 17 in Canada?—A. Yes.

Q. Is it not true that in California, particularly, you are only coming into the peak of the crop about the end of November, so that the price of oranges would be dropping normally in the California market?—A. I do not know whether they do normally. This year they did drop; some, not all sizes.

Q. You know when they harvest oranges in California?

The CHAIRMAN: I do not think anyone is getting this.

Mr. MAYHEW: That is all right.

The CHAIRMAN: No one can hear the questions and answers. They have to go to the reporter and be understood by every member of the committee.

Mr. CLEAVER: I believe the witness is ready with an answer to my question.

Mr. JAMIESON: Starting with your original wholesaler's laid-down cost of \$3.60, adding 15 per cent mark-up on his selling price would give him a profit of approximately 65 cents per case, giving then a total of \$4.25 the retailer would pay. If the retailer used his maximum mark-up of 25 per cent as his selling price, he would be able to sell to the consumer at 21 cents per dozen.

Mr. CLEAVER: So I take it from that, then, that the action of the wholesaler in marking up the oranges at a greater amount than the normal practice meant an increase in price to the consumer of 3 cents a dozen?

Mr. JAMIESON: I believe I said 25 cents a dozen.

Mr. CLEAVER: 24 cents.

Mr. JAMIESON: Most decidedly, yes.

Mr. LESAGE: Thank you, Mr. Jamieson; that is exactly the question I was putting to Mr. Christensen.

By Mr. Cleaver:

Q. I understood you, Mr. Christensen, to say that the price of oranges in California had softened after November 15th?—A. Yes, it did.

Q. Could you tell the committee how much the gross laid-down cost to the wholesaler in Canada would be on the day before the restrictions were imposed with respect to this case No. 1 on your list which you now put at \$3.60? What would have been the cost of that case before the restrictions were imposed?—A. We would have to wire and get that information. We have not got it here.

Q. You have no idea how much the cost would be?—A. We have ideas, but we have not the facts. I like to deal in facts.

Q. You might get that information for me?—A. Do you want us to get that?
Q. Yes.

Mr. FLEMING: May I ask Mr. Jamieson if the invoices, that substantial number of invoices he had in his bag all relate to oranges, grapefruit and lemons or do any of them relate to other foods?

Mr. JAMIESON: Fruit and vegetable commodities.

Mr. FLEMING: You have some there relating to vegetables?

Mr. JAMIESON: There is another list concerning vegetables.

By Mr. Beaudry:

Q. I understood you to say a few moments ago that in some cases wholesalers had increased by from five to six times the fifteen per cent mark-up allowed by the Wartime Prices and Trade Board?—A. That is right.

Q. Have we any instances of that on this list which has been submitted by you to us?—A. I think we have.

The CHAIRMAN: He says he has.

The WITNESS: I think so. If we have not, we will get them for you. We had several cases where they claimed they paid \$10.

Mr. JAMIESON: There is one towards the bottom which uses \$3.45. I just made the statement that the normal mark-up would be 65 cents.

By Mr. Beaudry:

Q. I am looking at your statement, the column headed "Gross margin, per cent of selling price", which would indicate the mark-up?—A. I beg your pardon, sir, but mark-up means how much is added to the cost.

Q. I was aware of that?—A. If something costs \$6 and you take \$7, the dollar is mark-up. There is a tremendous difference. The mark-up in this connection is over double on some of these items.

Mr. MAYBANK: The word used here is "margin".

Mr. BEAUDRY: Whether you call it mark-up or margin, any time you divide \$1.65 by \$5.25, you will get 31.4 per cent.

The CHAIRMAN: I believe Mr. Christensen has another statement. Unless there are any pressing questions, may we proceed to that?

By Mr. Fleming:

Q. Just one more question. Is Mr. Christensen in a position to give us the retail prices at which the various retail merchants who appear on this list sold the particular oranges which are indicated on the list?—A. They would not have that now. The oranges are gone. The only thing to do about that would be to go out and have a survey made now.

The CHAIRMAN: May we proceed with the next part?

Mr. DYDE: You have another statement, Mr. Jamieson, which I understood you made up today with reference to certain vegetables. You wish to produce that statement which is also complete with invoices attached thereto. You prepared this statement today?

Mr. JAMIESON: The members have copies of that.

Mr. DYDE: I will tender that as exhibit 6.

ONTARIO FRESH VEGETABLES

Table prepared by William S. Jamieson and submitted by George Christensen

Date	Name of wholesaler	Address of wholesaler	Name of retailer	Address of retailer	Quantity purchased by retailer	Price paid by retailer
ONTARIO NUMBER 1 WASHED CARROTS IN BULK						
Nov. 6.....	Weeks Produce Co.	Toronto.....	Eglington Market.	Toronto.....	1 Bushel of approx. 50 lbs.	\$1.25 per bus.
Nov. 21....	Weeks Produce Co.	Toronto.....	Eglington Market.	Toronto.....	1 " "	2.25 per bus.
Feb. 6.....	Barrett Bros.	Toronto.....	W. Probert.....	Toronto.....	1 " "	3.25 per bus.
Feb. 12....	Provincial Fruit Co.	Sudbury.....	Falconbridge General Store.	Falconbridge..	3 " "	3.80 per bus.
Feb. 14....	Everist Bros.	Toronto.....	Carload Groceteria.	Toronto.....	1 " "	3.25 per bus.
Feb. 16....	Provincial Fruit Co.	Sudbury.....	A. E. Hodge.....	Falconbridge..	1 " "	4.25 per bus.
ONTARIO CABBAGE						
Oct. 31....	S. Lightfoot & Son.	Toronto.....	Gus Fruit Market.	Toronto.....	2 Cases of approx. 50 lbs.	\$1.25 per case
Nov. 3.....	C. S. Simpson.	Toronto.....	Jas. Hussey.....	Toronto.....	2 " "	1.25 per case
Nov. 5.....	S. Lightfoot & Son.	Toronto.....	Gus Fruit Market.	Toronto.....	1 " "	2.50 per case
Nov. 23....	G. C. Anspach Co.	Toronto.....	Gus Fruit Market.	Toronto.....	2 " "	2.50 per case
Nov. 27....	Weeks Produce.	Toronto.....	Eginton Market.	Toronto.....	1 " "	2.50 per case
Jan. 14....	Gamble-Robinson.	Sudbury.....	A. E. Hodge Ltd.	Falconbridge..	2 " "	6.00 per case
ONTARIO CELERY						
Nov. 4.....	Manser-Webb Co.	Toronto.....	Gus Fruit Market.	Toronto.....	2 Full Ontario crate.	\$2.50 per crate
Nov. 24....	Gamble-Robinson.	Sudbury.....	A. E. Hodge Ltd.	Falconbridge..	1 " "	4.50 per crate
Nov. 26....	G. C. Anspach Co.	Toronto.....	Gus Fruit Market.	Toronto.....	5 " "	4.25 per crate
Jan. 16....	G. C. Anspach Co.	Toronto.....	Gus Fruit Market.	Toronto.....	2 " "	7.00 per crate
ONTARIO LEAF LETTUCE						
Feb. 6.....	Gamble-Robinson Ltd.	Toronto.....	Gus Fruit Market.	Toronto.....	1 Case of 24 bunches.	\$8.00

Mr. DYDE: Now I think, Mr. Jamieson, with all due respect, that if you would explain the way the statement is made up it could be put in and it would not be necessary for you to read the whole statement.

Mr. WINTERS: Well, let us wait until we have got a copy of the statement.

The CHAIRMAN: Will you kindly distribute those statements quickly?

Mr. MACINNIS: Yes, we should get these before the cost of living goes up any higher.

Mr. JAMIESON: The purpose of this statement is to bring before you a comparison on carrots, cabbage, and celery, as to what took place on those commodities as a result of, we believe, the embargo of November 17. We believe it might facilitate things, and it is Mr. Christensen's wish that it be read off separately so that we may carefully see the progressive increases that have taken place.

Mr. CLEAVER: We can all read.

The CHAIRMAN: I think we can save time. We do not need to read the whole thing and you could comment on each item. It takes too much time to read it.

Mr. FLEMING: It will be printed in the record at this point.

The CHAIRMAN: Yes.

Mr. JAMIESON: May I proceed?

The CHAIRMAN: Yes.

Mr. JAMIESON: On November 6 we note that Ontario No. 1 washed carrots were purchased at \$1.25 a bushel.

Mr. FLEMING: Mr. Chairman, a question of privilege. Eglinton has just one "g".

The CHAIRMAN: The extra "g" emphasizes "good".

Mr. DYDE: That may be counsel's fault, I am not sure.

The CHAIRMAN: All right, Mr. Jamieson.

Mr. JAMIESON: On November 6 these carrots were purchased at \$1.25 and on November 21, after November 17, the price went to \$2.25 for the same commodity. On February 6 at Toronto they had gone to \$3.25. At Sudbury on February 12 they were \$3.80. On February 14 at Toronto they were \$3.25. On February 16 at Sudbury, \$4.25.

Mr. JOHNSTON: May I just ask what causes the jump to \$3.80? Is that because of shipping to Sudbury and would that be due mostly to freight charges.

Mr. JAMIESON: That is quite possibly the reason.

Mr. JOHNSTON: Would that be, do you think, a legitimate increase?

Mr. JAMIESON: I would not like to go on record as saying that is the reason but I can surmise that it is. I might also remark on this that we had some difficulty in getting really last minute invoices on some of these things because the boys still had their bookkeeping processes to go through. Now may I go on to cabbage?

The CHAIRMAN: Yes, let us get on.

Mr. JAMIESON: In October, cases of approximately 50 lbs. were \$1.25. On November 3, \$1.25.

Mr. CLEAVER: Yes, it finally reached \$6. Let us leave it at that.

The CHAIRMAN: We see these figures. Celery is \$2.50 on November 4 and on February 6 it is \$8.

Mr. MACINNIS: I think the witness wanted to make a comparison between November 5 and 23.

Mr. LESAGE: It is all in the statement.

The CHAIRMAN: Well, make your comments.

Mr. JAMIESON: The comments are that they go from \$1.25 to \$6 as you can see, progressively. In the case of celery it goes from \$2.50 a crate up to \$7. You have on the record one sale at a higher price which was submitted for your records yesterday. Regarding leaf lettuce we have no very basic comparison except this purchase on February 6 at \$8 for a case of 24.

Mr. IRVINE: Is that just for a leaf?

Mr. JAMIESON: Leaf lettuce.

Mr. WINTERS: Could we put the wholesale prices beside these for the same dates?

Mr. JAMIESON: I beg pardon?

Mr. WINTERS: Could we put the wholesale prices beside these figures? Can you supply the wholesale prices?

Mr. JAMIESON: No, we are sorry we cannot.

Mr. FLEMING: That is the wholesale price.

Mr. JAMIESON: That is what the retailer paid.

Mr. CLEAVER: What about the cost to the wholesaler?

Mr. JAMIESON: We do not know.

Mr. CLEAVER: Then what value is this statement to the committee?

Mr. HOMUTH: That is for cold storage.

Mr. CLEAVER: Propaganda.

Mr. HOMUTH: Well now, listen, you fellows—

The CHAIRMAN: Order, order.

Mr. HOMUTH: Those figures are most damning and I do not think we want to waste time—

Mr. CLEAVER: You can see it in any newspaper, it is just straight propaganda.

The CHAIRMAN: Order.

Mr. LESAGE: We have been playing politics since yesterday.

Mr. HOMUTH: It shows you what you have done.

The CHAIRMAN: I know you want to help the chair, Mr. Homuth, as you always do.

Mr. HOMUTH: I just want to make a speech once in a while.

Mr. IRVINE: Could we not call some of these wholesalers who have been mentioned here and get their side of the question?

Mr. BEAUDRY: I see that it refers to Ontario cabbage, celery, and lettuce. That implies all the produce here mentioned is grown in Ontario.

Mr. JAMIESON: Yes.

Mr. BEAUDRY: Can you give us any idea as you did a moment ago on citrus fruits, whether in this case there is a greater lapse of time between the crop and the consumption?

Mr. JAMIESON: I do not quite follow the question.

Mr. BEAUDRY: I will word it differently. What would you say could be the length of time elapsing between the crop of any one of these things and the sale for consumption, or the actual consumption? In the case of citrus fruits we talked about twelve to fifteen days. In this case do we lengthen it or shorten it?

The WITNESS: Do you mean when these were grown and used?

Mr. JAMIESON: These carrots are known as fall carrots harvested late in the fall and usually put away in pits and bins.

Mr. BEAUDRY: In other words it must seem, as a definite reaction to the time of picking, that all the produce we are dealing with in this case may have been picked in September and October?

Mr. JAMIESON: I think it is safe to assume they were harvested at that time.

Mr. LESAGE: Mr. Jamieson, is it not usual to have a sharp increase in the price of fresh vegetables just before the bulk of the imports of such vegetables each year?

Mr. MAYBANK: I do not think the witness could hear the question.

Mr. LESAGE: I will repeat it.

Mr. JAMIESON: Are you going to answer that, Mr. Christensen?

The WITNESS: I am not in the grocery business, but you are.

The CHAIRMAN: Well, Mr. Jamieson would you act as interpreter in this case?

Mr. LESAGE: Is it not usual to have a sharp increase in the price of fresh vegetables each year just before the bulk of the imports of such vegetables start to come in?

The WITNESS: I would not think so. I would not know but I would not think so. I do not know why there should be. Why should there be?

Mr. LESAGE: Well, because of the scarcity?

Mr. JAMIESON: I do not think that you or I are purchasers so we do not know much about it?

Mr. LESAGE: I am asking you if you know. I do not pretend to know and I am asking you to answer my question.

Mr. HOMUTH: The actual fact is that they do not increase.

The WITNESS: I cannot think of any reason why they should.

Mr. LESAGE: I am not asking for reasons, I am asking if he knows that they do reflect a sharp increase each year?

The CHAIRMAN: He says he does not think so.

Mr. IRVINE: Is it not true that the only evidence this gentleman had to give us is here in the statement and I do not think we can expect him to give anything more than is here. This is all he is bringing, and I think we should stay with it and see what we can find out.

Mr. WINTERS: May I ask a question again, as to whether the witness, as in the case of fruits where he estimated an approximate laid-down cost to the wholesaler, can give us any corresponding figures for these vegetables for the dates he has provided?

The WITNESS: You can get the approximate laid-down cost of citrus fruits but not vegetables.

Mr. WINTERS: Have you figures for those?

The WITNESS: No.

The CHAIRMAN: The answer is no.

Mr. MAYBANK: What is the meaning of the various figures in the column just after that headed "Address of retailer"?

The WITNESS: That means one case, or two cases, or three cases, as the case may be.

Mr. JAMIESON: I am sorry that has been left off but it is the quantity purchased by the retailer.

Mr. MAYBANK: Then I write in "quantity" there.

By Mr Beaudry:

Q. Mr. Christensen, would you please indicate the intermediaries. I am dealing with Ontario carrots, cabbage, celery, and lettuce. How many intermediaries might there be between the producer and the consumer? I assume already that there is the retailer and the wholesaler but is there, in some cases, a further intermediary?—A. It is not necessary that there be any at all. There is no reason why the producer should not sell direct to the retailer that I know of. There is no reason why he need do otherwise, but sometimes they do sell through wholesalers and even brokers.

Q. Generally this produce would have been bought by a wholesaler from the producer?—A. I would not say that always follows.

Q. I will revise the question.—A. I do not agree whether you put it that way or not.

Q. I am asking the questions and I can appreciate that you do not care, but I will put it differently.

Mr PINARD: In other words he says "no" before you ask.

Mr. BEAUDRY: Where does the wholesaler purchase the produce listed here?

Mr. JAMIESON: In the Toronto area the large bulk of Ontario grown fruits and vegetables are sold by wholesalers on commission for the producer.

Mr. BEAUDRY: Then, let us not make this general, but we might take it as an indication of the general practice? We will take the last line under washed carrots where the retailer paid \$4.25 per bushel for approximately 50 lbs of carrots. It would be normal for us to assume that in most cases the wholesaler who collected that price was only acting as an agent for the producer.

Mr. JAMIESON: I want to make this clear, you are speaking of the last line and I said that in the Toronto area things are sold on commission.

Mr. BEAUDRY: Then I will take the line before the last line. That suits me. It is indicated that carrots were sold by Everist Brothers from Toronto to the Carload Groceteria in Toronto. I am only trying to get the information and I am not trying to pin you down.

Mr. WINTERS: Well could I ask a question? Would it not be fair to assume that in a great number of cases the prices paid by the retailer were only increased in proportion or in keeping with the price paid to the producer, by the commission which was collected by the wholesaler, acting as an agent?

Mr. JAMIESON: I cannot answer that question as submitted?

The CHAIRMAN: May I suggest you put the question again?

Mr. JAMIESON: I made the statement that it was customary for the majority of the wholesalers to sell Ontario grown produce in the Toronto area on a commission basis.

Mr. BEAUDRY: In this case where it is customary would that be normal?

Mr. JAMIESON: In that specific instance I do not know.

Mr. BEAUDRY: Let us forget about specific instances. Let us use the word customary. Would the price spread between the price paid by the retailer and the price received by the producer only be augmented by the amount or the percentage the wholesaler is receiving as commission?

The WITNESS: We have a telegram which came in here today from a merchant saying just exactly what he paid for carrots and I believe he told us what the wholesaler paid for them and what the wholesaler's profit was. It was from Thomson Food Markets, St. Catharines.

Mr. DYDE: Is that the one you read earlier?

The WITNESS: It covers both citrus fruits and carrots.

By Mr. Beaudry:

Q. Before we look at it you might be able to answer the question. I hope I make myself clear. In cases where it is customary for the wholesaler to act, as Mr. Jamieson pointed out, merely as an agent or distributor working on a commission basis, the normal assumption would be that the price paid by the retailer was only decreased to the producer by the amount which was called a commission given to the wholesaler acting as agent?—A. Decrease, or increase?

Q. Decrease? I will give you an instance. Where the dealer paid \$4.25 a bushel, if the wholesaler was acting as a commission agent on the basis of 10 per cent we would therefore assume that roughly 12 per cent of the \$4.25 would be deducted to arrive at the figure which the producer himself would get?—A. You said 10 per cent in one instance and 12 per cent in the other.

Q. Because I am applying 12 per cent to the selling price as corresponding roughly to the 10 per cent on the purchase price.—A. I do not know what you are trying to find out.

Q. I am trying to find out an extremely simple thing. I am trying to find out if the producer, selling a bushel of carrots at \$3 through a wholesaler working on 10 per cent commission which is 30 cents, would not get \$3 for the bushel paid for by the retailer in the amount of \$3.30? That is what I am trying to find out?—A. May I answer this way. Assuming that these goods were sold on commission, using that \$3.25 retail price and the wholesaler got 12·5 per cent—pardon me, 10 per cent as you stated—it would be 12·5 per cent of the selling price; here we get 41 cents and the grower gets \$2.84—assuming that, assuming it were done that way.

Mr. BEAUDRY: How could the wholesaler get 41 cents on a 10 per cent commission, basis \$2.81. That would be 28 cents.

The WITNESS: He sold them at \$3.25.

Mr. BEAUDRY: Work it in reverse. If your producer is selling for \$2.84 and the commission on that is 10 per cent he would get 28·4 cents.

Mr. JAMIESON: I believe the wholesalers will be on the stand later.

Mr. MACINNIS: Could we try it this way; what is the wholesaler's commission on a bushel of carrots, percentage of commission?

Mr. JAMIESON: I cannot answer that. The wholesalers will be here to answer it.

Mr. MACINNIS: You do not know whether it is 10 per cent?

Mr. JAMIESON: No. I could guess.

The CHAIRMAN: Mr. Jamieson: may I ask you this question? The whole question functionally of the brokers in the fruit and vegetable industry apparently is an important one, and don't you think it should be thoroughly investigated before any conclusions can be drawn as to whether or not the profits in the wholesale industry are reasonable or justified?

Mr. JAMIESON: We have already stated that profits are unreasonable, and we have proven it, I think.

The CHAIRMAN: I am asking you personally a question now which may be of great importance in the conclusions which this committee reaches. I am asking you now as to the function of the brokers in the fruit and vegetable industry.

The WITNESS: I do not think Mr. Jamieson could answer that, Mr. Chairman.

The CHAIRMAN: Just a minute, please.

Mr. JAMIESON: I could say this since you mention brokers, there are people who are known as brokers and others who are known as wholesalers.

The CHAIRMAN: Yes.

Mr. JAMIESON: There are others who are known as commission men. I do not know that I am competent to distinguish between them.

By Mr. Cleaver:

Q. Mr. Christensen, I believe it is a correct statement to say that as to fruits and vegetables grown in Canada, they are usually sold on a commission basis, but as to fruits and vegetables which are imported from the United States, they are not sold on a commission basis?—A. That has not been my experience in the west. I would not think of buying from a commission merchant if I could possibly avoid it. I would buy direct from the producer.

Q. If you are not buying from the producer direct I suggest to you that normally as to domestic grown fruits and vegetables you would buy them through the commission merchant and he would be selling them to you on commission?—A. You are speaking about Canada, and you are covering too much territory now.

Q. I am talking about the Ontario practice, surely you are familiar with that?—A. Let us pin it down to Toronto and then I think Mr. Jamieson could answer your question.

Mr. JAMIESON: I previously stated, in Toronto it is customary to sell Ontario-grown products at market on a commission.

Mr. CLEAVER: On a commission basis?

Mr. JAMIESON: Yes.

Mr. CLEAVER: But as to the imported fruits and vegetables, they are not sold on a commission basis?

Mr. JAMIESON: No, the fruit is purchased outright. I would make this proviso; there have been instances where arrangements have been made that goods have come forward on consignment.

Mr. CLEAVER: Some come forward on consignment, but in the main imported fruits and vegetables are purchased outright and the parties buying take the risk of profit or a loss?

Mr. JAMIESON: That is right, sir.

Mr. CLEAVER: Sometimes making a very substantial profit and sometimes quite a substantial loss?

Mr. JAMIESON: Yes.

Mr. CLEAVER: Coming to your statement, I notice that after carrots you carry your figures right down to the 16 of February but as to cabbage and celery you do not give us any information after the 14 or 16 of January; why is that?

Mr. JAMIESON: Because celery was practically off the market by that time. Of the invoices we were able to gather in a hurry, none of those showed any celery purchased, with the exception of that letter which was filed yesterday.

Mr. CLEAVER: Then, what about cabbage; why did you stop on the 14th of January on cabbage?

The WITNESS: I presume it was because the new cabbage—

Mr. JAMIESON: The new cabbage had not arrived to any extent.

The WITNESS: They were rather expensive.

Mr. JAMIESON: The invoices we have in this lot were all gathered hurriedly to facilitate this inquiry and that is just the way they happen. That is all.

Mr. CLEAVER: You would say, in the main, the reason was that local cabbage and celery had practically all been—

Mr. JAMIESON: Was nearly off the market?

Mr. CLEAVER: Now, that leads me to my next question; in normal practice the domestic grower supplies the market up until what period with respect to cabbage?

Mr. JAMIESON: On cabbage, normally, in normal years—my experience covers quite a number of years—they disappear shortly after the first of the year.

Mr. CLEAVER: Yes, and the same thing with respect to celery?

Mr. JAMIESON: Celery, yes. There is usually the normal conditions. We have importations of celery prior to the Christmas season.

Mr. CLEAVER: Yes, and I take it then that what you have already said that on account of the restricted regulations which were passed everyone became aware of these shortages that developed and the price went up a very unreasonable amount. Can you tell the committee who got the profits, or that increase?

Mr. JAMIESON: We are not in a position to state who got the profits. All we know is that that is what the retailer had to pay the wholesaler.

Mr. CLEAVER: Who could know who got the profit?

Mr. JAMIESON: I cannot say. I can guess, but I would not state.

Mr. BEAUDRY: Mr. Jamieson, in keeping with some of your previous answers on this score, assuming two similar transactions, two transactions made in Toronto by the same parties, and assuming, as you stated, that the logical procedure would be, in Toronto, that it would be done on the basis of the wholesaler acting as a commissioned man—in keeping also with your previous answer, or Mr. Christensen's, to the effect that in the case of carrots, for instance, the profit taken in October and September or early November, and that they would then be stocked for resale over a period of time, would it follow that a purchase made by a retailer on November 6, let us say, a purchase of carrots at \$1.25 per bushel would then have brought the producer this \$1.25 less the commission paid the wholesaler, or approximately \$1.10—is that clear so far?

Mr. JAMIESON: Yes.

Mr. BEAUDRY: Now, does it follow that a similar transaction effected between the same parties, through the same means, a purchase and sale made on the same carrots, picked at the same time, would on February 15 have brought to the producer the amount of \$4.25 less the same percentage of commission, on a net sum of approximately \$3.50 for the same bushel?

Mr. JAMIESON: The only answer, I think, to the question placed before me, regarding the progressive increase that might have taken place through normal conditions—of course, during wartime there was price control—

Mr. BEAUDRY: No. I am sorry, I would not like to confuse it that much. I am merely referring to some figures noted here dealing, if you like, with a hypothetical case, and with others—not necessarily all related to Toronto—what I am asking you is this: would my conclusion be a reasonable one. Assuming the difference in cost to the retailer during the earlier period, let us say November when the cost was \$1.25, and when the carrots were sold—carrots bought at the same time—at a price of \$4.25 to the retailer; would that difference in price go to the producer less the cost of storage and the relatively small difference involved in the amount of commission paid to the wholesaler acting as commission agent?

Mr. JAMIESON: I can only say this in reply to your question; using the example you have given, in both instances the carrots come from the same grower and are handled on the same identical basis, on commission as you have stated, then, the grower would get that difference.

Mr. MACINNIS: That could be only if the grower sold them at the same time?

Mr. FLEMING: What was the markup allowed by the Wartime Prices and Trade Board during the time when controls were on as related to sales by wholesalers to retailers on vegetables of this kind?

Mr. JAMIESON: I am afraid that I would have to guess at that figure.

Mr. FLEMING: Don't guess; if you don't know then we will leave it at that.

Mr. JAMIESON: I mean, the figures are available, definitely.

The CHAIRMAN: We will get them.

Mr. FLEMING: Have you any figures as to the retail price of these vegetables, what the retailer gets for them?

The WITNESS: You mean, what carrots would be selling for now?

Mr. FLEMING: Yes.

The WITNESS: You have that, haven't you, Mr. Jamieson?

Mr. JAMIESON: Yes, I have given a public statement on that.

Mr. FLEMING: Just give us the figures if you have them.

Mr. JAMIESON: Last week, I made a statement—

The CHAIRMAN: Have you got the figures there? I think the fewer published statements we have now, the better.

Mr. FLEMING: To shorten it up; are you in a position, Mr. Jamieson, to prepare a statement indicating the retail price to the consumer on carrots, cabbage, celery and lettuce, on or about the dates appearing in exhibit 6, so we will have a basis of comparison?

Mr. JAMIESON: What was that date?

Mr. FLEMING: On or about the dates appearing in exhibit 6. Can you prepare a list to submit, Mr. Jamieson?

Mr. JAMIESON: It can be done. It would take some time because it would have to be checked. A survey would have to be made on each individual item.

Mr. FLEMING: Then we will have something on this.

The CHAIRMAN: I was going to say, Mr. Fleming, it is nearly 6 o'clock.

Mr. FLEMING: I have two more questions, Mr. Chairman. You referred the other day, or maybe it was Mr. Christensen, to protests made to the Wartime Prices and Trade Board concerning the prices of fruit. What would you say with reference to these vegetables? I want to ask you first of all about any purchases of which you have knowledge from the retailers of these vegetables; and, second, what you know of any such protests to the Wartime Prices and Trade Board.

Mr. JAMIESON: We protested very emphatically about the price of cabbage.

Mr. FLEMING: When?

Mr. JAMIESON: Within 10 days of November 17.

Mr. FLEMING: Was that protest made to the Wartime Prices and Trade Board, or to whom?

The WITNESS: Did that protest go to Mr. Taylor or to Douglas Abbott?

The CHAIRMAN: In any event, it was made.

The WITNESS: It went to the government in any event.

By Mr. Fleming:

Q. What form does the protest take, was it made by letter, or was it made orally?—A. I think the protest was made by letter and telegram. I certainly know it went by wire.

Q. Can you produce a copy of your letter or wire?—A. We would have to get that from Toronto.

Q. You can produce it?—A. Yes, sir.

Q. Did you receive any reply?—A. Yes, sir; I think so.

Q. What action if any was taken on the protest?

Mr. BEAUDRY: May I suggest we adjourn, Mr. Chairman?

The CHAIRMAN: Before we adjourn, the situation in accordance with our agenda is as follows: I think the wholesalers are here, and it was agreed in the steering committee and subscribed to by all the full committee, that they would be given an opportunity immediately after hearing their evidence to make a general rebuttal.

Mr. IRVINE: Which wholesalers are they?

The CHAIRMAN: Fruits and vegetables.

Mr. IRVINE: Are they the companies mentioned in this?

The CHAIRMAN: Their Association.

Mr. JOHNSTON: Can they answer for these companies.

The CHAIRMAN: They will have to speak for themselves, but they are here. They are the people referred to in the statements that have been made, the details of which have been denied by the witnesses. However, the important thing I want to mention is that we had scheduled to start our complete bread inquiry tomorrow. We will have representatives here tomorrow from Loblaw Groceries, General Bakeries of Toronto, and Dominion Stores, in accordance with plans laid down by counsel.

I propose that tomorrow morning we will carry on with what we are now doing. I cannot say definitely what the situation will be as of one o'clock, but it may be will have sufficient general information at that stage to permit the secretariat to begin at once, for the convenience of the committee, the statistical data giving price information for the major fields including carrots, cabbages, and so on. Mr. Wilson, I am merely mentioning that at this stage so you will get your work under way as quickly as possible. The meeting is—

Mr. FLEMING: I did not get an answer to my question.

The CHAIRMAN: You will get it tomorrow.

Mr. FLEMING: Is Mr. Christensen going to be here tomorrow?

The CHAIRMAN: Yes.

Mr. MacINNIS: Before you adjourn Mr. Jamieson said he has considerable other data and information with him. Will Mr. Wilson take that and see what he can do with it?

The CHAIRMAN: Yes. That is agreed. Counsel will arrange that.

Mr. IRVINE: Before you adjourn I should like to make sure that the steering committee gives consideration to calling the actual firms whose names appear here on these two sheets.

The CHAIRMAN: In fairness that will have to be done ultimately. The meeting is adjourned until 11 o'clock tomorrow morning.

The committee adjourned at 6.05 p.m. to meet again on Thursday, February 19, 1948, at 11 o'clock a.m.

Doc
on
om
1
SESSION 1947-48

HOUSE OF COMMONS

C111/102
4010
SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

NO. 7

THURSDAY, FEBRUARY 19, 1948

WITNESSES:

Mr. George B. Christensen, National Food Director, Retail Merchants' Association of Canada, Toronto.

Mr. William S. Jamieson, Food Merchandising Consultant, Toronto.

Mr. George H. Reynolds, Secretary, Toronto Wholesale Fruit Produce Merchants' Association, Toronto.

LIBRARY
MAR 6 1948
OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., LL.B.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY

1948

MINUTES OF PROCEEDINGS

THURSDAY, February 19, 1948.

The Special Committee on Prices met at 11.00 a.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Maybank, Mayhew, McCubbin, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance:

The Vice-Chairman informed the Committee that illness was keeping the Chairman away this morning but that he hoped to be in attendance later in the day.

Mr. George B. Christensen, National Food Director, Retail Merchants' Association of Canada, and Mr. William S. Jamieson, Food Merchandising Consultant, Toronto, were recalled and further examined.

Mr. Jamieson filed,

Exhibit No. 7,—Table giving details of invoices attached thereto regarding the citrus fruit items on said invoices.

Witnesses discharged.

Mr. George H. Reynolds, Secretary, Toronto Wholesale Fruit Produce Merchants' Association, Toronto, was called and sworn. He made a statement and was examined.

At 1.00 p.m., witness retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m, Mr. Maybank presiding.

Members present: Messrs. Beaudry, Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Maybank, Mayhew, McCubbin, Merritt, Pinard.

Mr. Reynolds was recalled and further examined.

During the proceedings the Vice-Chairman stated that committee business required his attention elsewhere for a while and asked Mr. Lesage to take the Chair in his absence.

Witness filed:

Exhibit No. 8,—Nine invoices re sale of cabbage on commission market by the Ontario Produce Company Limited.

Exhibit No. 9,—Thirteen invoices re sale of carrots on commission market by the Ontario Produce Company Limited.

Exhibit No. 10,—Six invoices re sale of celery on commission market by the Ontario Produce Company Limited.

Exhibit No. 11,—One "celery" invoice, Holland River Gardens Co. Ltd., Bradford, Ont., to Ontario Produce Co. Ltd., Toronto, January 8, 1948.

Exhibit No. 12,—One "unwashed carrot" invoice, Holland River Gardens Co. Limited, to Ontario Produce Co., Toronto, February 11, 1948.

Exhibit No. 13,—Six "apple" invoices, Ontario Produce Co. Ltd., and one "apple" invoice from B.C. Tree Fruits Limited to Ontario Produce Co. Ltd., with attached inspection certificate and C.P.R. way-bill.

Exhibit No. 14,—Two "orange" invoices, Edward Supply Co., Sudbury, Ont., to Ontario Produce, Toronto, January 15 to 22, 1948.

At 5.55 p.m., witness was discharged and the Committee adjourned until 11.00 a.m. on Friday, February 20, it being agreed that the Committee would then proceed with its inquiry on bread.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

February 19, 1948

The Special Committee on Prices met this day at 11.00 a.m. The Vice Chairman, Mr. R. Maybank, presided.

The VICE CHAIRMAN: Gentlemen, I am sorry to say that the chairman is laid up this morning. He was not very well yesterday. As a matter of fact, he was pretty badly under the weather yesterday, and today he is pretty well stuffed up with a cold. He said he was going to try to come out a little later, and in the meantime he asked me to sit here.

We are in a little difficulty for what I think will be only a few minutes about the witness. Mr. Christensen has not come in. Mr. Jamieson and he were speaking together.

Mr. FLEMING: Would you speak up.

The VICE CHAIRMAN: Mr. Christensen has not come in. Mr. Jamieson and he were speaking together. Mr. Jamieson thought he would meet him here but he just has not arrived. Mr. Christensen and Mr. Jamieson have really been acting as one witness, and it is possible that some questions might be asked of Mr. Jamieson which could be answered by him.

There is also this, that certain material which was asked for yesterday is being prepared, and it was expected by the secretariat that it would be here by 11 o'clock. I think this is the same material you asked for, Mr. Fleming, a digest of earlier invoices. That ought to be along shortly.

Mr. CLEAVER: While we are waiting for Mr. Christensen I should like very much to commend the Wartime Prices and Trade Board for the very prompt action yesterday in reimposing—

Mr. HOMUTH: That is not necessary. They are just about three months too late.

Mr. CLEAVER: I think perhaps every member of the committee has a right to his own opinion, and I am in the position where I feel I would like to commend them.

Mr. FLEMING: If one member is going to be allowed to express an opinion then others will be in order, too,

The VICE CHAIRMAN: Surely, everyone in this committee knows that is not the way to start off the morning. There is not any occasion, Mr. Homuth, for anybody on this committee suddenly interrupting another until he at least speaks a sentence. I do not know whether what Mr. Cleaver—

Mr. HOMUTH: I knew what he was going to say.

The VICE CHAIRMAN: That is all very well, but you must have regard for the other members of this committee, too. Other people have some rights besides yourself, and you have them equally with them.

Mr. FLEMING: Mr. Chairman, then, without breaking in in the middle of a sentence, may I take objection to what Mr. Cleaver has said on a point of order. He understood to say that something which happened outside the committee yesterday is a matter for discussion in the committee this morning so that he may offer commendation to the Wartime Prices and Trade Board. If an expression of that kind is in order, then the opposite opinions are equally in order and we are going to have a merry time discussing them.

The VICE CHAIRMAN: It would appear that the objection you are taking is that Mr. Cleaver wanted to commend the Wartime Prices and Trade Board for promptly clamping on—

Mr. FLEMING: Promptly?

Mr. HOMUTH: I object to the word promptly.

Mr. MACINNIS: I think this out of order. Would you let me say something which is in order.

The VICE CHAIRMAN: Just a minute, children; come to order. Mr. MacInnis insists that he will be in order if he is allowed to speak. Now, if these gentlemen will permit you to do so, go ahead and speak.

Mr. MACINNIS: If they are all friendly, I will have no difficulty at all.

The VICE CHAIRMAN: I think they are friendly now.

Mr. MACINNIS: When Mr. Christensen appeared before the committee on Tuesday he was reluctant to give the committee the names of certain retailers whose names were on invoices which he had with him. I raise this matter now because a retailer in Ottawa, who would not give me his name, called me on the telephone last night and said that the retailers could be put in a very difficult spot if they did something which their suppliers did not like.

What I should like you to do, Mr. Chairman, is to make an enquiry to ascertain whether there is any way by which persons giving evidence here could be protected from discrimination, if such discrimination is applied.

The VICE CHAIRMAN: They certainly ought to be.

Mr. MACINNIS: Is there anything under the Combines Investigation Act or any other regulation or legislation by government which would protect them? The chairman said to Mr. Christensen that the committee would take the responsibility. Those are brave words, and probably appropriate words, but we want to know how much protection we can give.

The VICE CHAIRMAN: Yes, sort of the same idea as victimizing a person who is active in a trade union; that is the sort of thing you have in mind?

Mr. IRVINE: There is another point too, which I might add, and that is that we might have difficulty in getting other witnesses.

The VICE CHAIRMAN: It would hamper the business of the committee.

Mr. IRVINE: If we cannot make sure there will be no discrimination against those who come here, it will make our work difficult.

Mr. JOHNSTON: Could that be classed as restraint of trade under the Combines Investigation Act, if such action were taken?

Mr. CLEAVER: Certainly, it would be an unfair trade practice.

The VICE CHAIRMAN: It looks that way; it is certainly moving in that direction.

Mr. JOHNSTON: I think the point is well taken. There should be some measure taken by the committee, probably through the Combines Investigation Act or the Wartime Prices and Trade Board, to see that those people whose names have been mentioned are not interfered with in any way. There probably should be a later check-up on those individuals whose names are mentioned to see that nothing is done to harm them.

Mr. MAYHEW: If you refer to the announcement of yesterday, you would find in that announcement the particular point is covered. The wholesalers were expected to sell their produce on the margin or mark-up which was put into effect by the Wartime Prices and Trade Board and accounts should be taken care of. Now, that would cover your point. I have not got the announcement here, but I think there is a paragraph covering that point.

Mr. HOMUTH: There is no authority to enforce it, is there, Mr. Chairman?

The VICE-CHAIRMAN: I think there is authority, myself, but I should not like to state that as a final opinion, either, Mr. Homuth. It is the sort of thing that will need a little more checking into before opinions are given. Probably we can take it up a little later and inform the committee as to just what the situation is.

Mr. Dyde has just handed me the provision which is in the order. It is number 12.

12. During each calendar quarter, every wholesale distributor must offer to sell to each buyer who purchased citrus fruit from him during the year ending June 30, 1947, the same proportion of his purchases of the same kind of citrus fruit as his sales to such buyer were to his total sales of that kind of citrus fruit during the corresponding calendar quarter of the year ending June 30, 1947.

Now, I suppose what that means in brief is that the buyer, being ready willing and able to buy, will be given the same treatment that was given him in what is called, for the purpose of this Act, the base period. Of course, that has for sanction the general penalty clauses of the Wartime Prices and Trade Board legislation. I think there is more control there than you suggest, Mr. Homuth.

Mr. HOMUTH: Supposing a dealer said to one of his customers, "On the 1st of May I will have that carload of citrus fruit for you; you have to take it in." He said, "I cannot take it in; I have not any provision to look after it." All right then, he has not taken it in. There are ways around it.

The VICE CHAIRMAN: There are usually ways around things, but there is very considerable strength in that order and all these orders generally, as has been found.

Mr. CLEAVER: Paragraph 4, subsection (k), I think rather fully gives the board power.

The VICE-CHAIRMAN: That is one of the sanction clauses.

You will probably be willing to let that matter rest for the moment, while it is looked into. Are there any questions anyone desires to ask of Mr. Jamieson?

Mr. FLEMING: Did I misunderstand that you were reading from the order made yesterday by the Wartime Prices and Trade Board?

The VICE-CHAIRMAN: That is true.

Mr. FLEMING: I thought Mr. Cleaver was referring to the general order.

The VICE-CHAIRMAN: He was, but I think that arose out of my remark that the substantive section I was reading had behind it all the general orders of the Wartime Prices and Trade Board.

Mr. FLEMING: I think we had better have as part of the record, probably as an appendix, the order of yesterday.

The VICE-CHAIRMAN: I think that is a good idea. It is agreed then that the order yesterday will become part of the proceedings.

(See appendix to this volume of minutes of proceedings.)

Mr. MACINNIS: You are doing that without recognizing the matter Mr. Cleaver brought up.

The VICE-CHAIRMAN: I noticed that and decided not to say anything about it but nevertheless it will be in the record.

Mr. FLEMING: The time has not yet come for expressions of opinion.

The VICE-CHAIRMAN: Are there any questions that anybody desires to ask Mr. Jamieson?

Mr. HOMUTH: Has he those figures that he was going to procure?

Mr. DYDE: No, that is what we are waiting for. There has been a slight delay in getting those mimeographed.

Mr. HOMUTH: It is of no use to go on with another witness until those things come and we might as well rise for twenty minutes until they do come.

The VICE-CHAIRMAN: We might just as well treat it as you do with the seventh inning, when you stretch. The committee is adjourned until 11.45.

Mr. LESAGE: Could not questions be asked of Mr. Jamieson?

The VICE-CHAIRMAN: That is what I started to suggest but it develops that there are no immediate questions and that we are held up for want of material.

Mr. FLEMING: Do we know for sure when Mr. Christensen is coming?

The VICE-CHAIRMAN: Well, we do not know anything for sure, but I have no absolute right to adjourn the meeting. If there is any objection to adjourning until the quarter hour that will have to be passed on motion or defeated on motion.

Mr. JOHNSTON: I suggest that if you adjourn for an hour we might as well adjourn until this afternoon.

The VICE-CHAIRMAN: We are not adjourning for an hour, only for fifteen or twenty minutes.

Mr. JOHNSTON: We do not know for sure whether he is going to be here.

The VICE-CHAIRMAN: No.

Mr. JOHNSTON: Then it will interfere with our other work if we just get started on it and have to come down here again.

Mr. DYDE: We feel sure the mimeographing asked for yesterday will be here in a matter of fifteen minutes.

Mr. IRVINE: We could take up the question of congratulating the Wartime Prices and Trade Board.

The VICE-CHAIRMAN: That certainly would take up fifteen or twenty minutes but I doubt whether it would serve any good purpose. It is a case of whether we should be sitting around here in this more or less stiff fashion and I think we might as well be standing around instead. Do you agree?

Mr. FLEMING: Mr. Chairman, before you adjourn, could we have some information about the other witnesses who are waiting and how long we are likely to be before reaching them.

The VICE-CHAIRMAN: It is my understanding that those who were called on the subject of bread are present, as are the wholesalers on the subject of fruit and vegetables, but I cannot be prophet enough to say how long this committee will be with Mr. Jamieson and the additional material.

Mr. FLEMING: How many witnesses are there to be called in connection with the fruit and vegetable prices?

Mr. DYDE: There are two here but I think it may be that they will combine and make one witness.

Mr. FLEMING: Have you any idea how long we are likely to be?

Mr. DYDE: My guess is that it will not be very long.

Mr. IRVINE: Then, Mr. Chairman, I would like to raise a question of procedure.

Mr. FLEMING: If they are not going to be very long could we not get started with them and take Mr. Christensen this afternoon?

Mr. JOHNSTON: The material he may present might change the evidence of the wholesalers.

Mr. FLEMING: Oh yes, and they would have an opportunity of answering.

Mr. CLEAVER: Since Mr. Fleming is the one who asked for the material, if he is content that the committee should go on I do not see that anyone else will object.

Mr. IRVINE: I want to raise a question of procedure here. We branched off on the discussion of butter from a phase of the evidence given my Mr. Taylor, and then there appeared a report in the press about fruit and vegetables and we tackled that. Now there is a suggestion that we take bread.

Mr. CLEAVER: I understood, Mr. Irvine, that we would call the wholesalers on the fruit and vegetable question.

Mr. IRVINE: I want to be sure about that. My suggestion is that we deal with one of these matters at a time and complete the inquiry before taking up the next phase. For instance, citrus fruits, oranges and grapefruit, were discussed yesterday together with vegetables, and figures were demanded as to the prices at corresponding dates before the removal of controls. Now there are officials of the Wartime Prices and Trade Board who can give that information. Since yesterday price controls have been reimposed on citrus fruits. We might be able to obtain corroborative evidence from the board in regard to the prices of those commodities. Then we might call next the wholesale representatives, who I believe are here, and follow by calling on those wholesalers who have been specifically mentioned in Mr. Christensen's evidence and then, if necessary, we could call some of the retailers and thus complete one study. That procedure would not only be much more convenient for all of us here but it would simplify the task of summarizing all the evidence when it becomes necessary to report to parliament. I would, therefore, strongly urge some such logical and orderly procedure be adopted and followed by the committee.

Mr. CLEAVER: The witness has arrived.

Mr. IRVINE: I do not want to leave it here, even if six witnesses have arrived. I would like to have your view.

The VICE CHAIRMAN: I do not know that my view will determine the matter. What has been decided already is that bread would be the subject of investigation and a tentative date for it was made. That was decided by the committee after the steering committee's report. Then it was decided to get some information in on citrus fruits and vegetables and that again was decided by the steering committee and approved by this committee. Your suggestion now is not in line with the decision of this committee to not stand the bread witnesses over any longer than necessary. What was said was that the evidence of Mr. Christensen would be taken as far as he could go at the moment and any witnesses that needed to rebut that evidence would be allowed to do so. I think it was also understood that further evidence would be allowed later on.

Mr. IRVINE: Could the committee here not ask the steering committee to give consideration to the point of some more orderly procedure?

The VICE-CHAIRMAN: I think it is fair to say that the members of the steering committee did have substantially the same view that you have been expressing this morning, but this citrus fruit decision was exceptional and not in line with the general view of the procedure that we would like to follow. I do not think there is any difference of opinion about the manner in which the inquiry ought to be conducted. I think what you have said is the feeling of the full committee and the subcommittee.

Mr. DYDE: I am informed Mr. Christensen has some further material to produce to the committee.

Mr. George Bernard Christensen, National Food Director, Retail Merchants' Association of Canada, recalled:

The WITNESS: Gentlemen, we have a lot of material.

Mr. JAMIESON: We were waiting for the typewritten copies.

The WITNESS: We have a lot of material here that Mr. Jamieson and somebody else worked on last night.

The VICE CHAIRMAN: That material is being mimeographed, Mr. Christensen and it is coming in. It is expected that it will be here almost any minute.

Mr. DYDE: I understand, Mr. Christensen, that there is an additional statement that you wish to make and that was my point in speaking a moment ago.

The WITNESS: I have several statements that I would like to make but first I think we should complete this thing. We are dealing with these reports from the retailers and the retailers' costs, and who they bought from, and we have gone through the rest of it so why not complete it? One thing at a time and move to something else. I will have additional material by air mail which you requested yesterday, and a great deal more—I do not care to call it evidence but whatever you do care to call it—invoices and that sort of thing.

The VICE CHAIRMAN: That is evidence.

The WITNESS: By the way, Mr. Chairman, I have had numerous telephone calls from different parts of Canada today and the National Executive of the Food Division of the Retail Merchants' Association have delegated Mr. J. R. Thomson, manager of Thomson Food Markets at St. Catharines, Ontario, to represent Mr. George Whitter, National President of the Food Division of the Retail Merchants' Association to come in here and assist me. I beg leave to notify Mr. Thomson that that is agreeable to me. In other words I request that you subpoena Mr. J. R. Thomson to come here before this honourable board. I have forgone having counsel and I have two telegrams and several calls telling me that if I said so they would fly in three attorneys from Toronto this afternoon. We have our two regular firms of attorneys and there is Mr. Joliffe, whom some of the independent retailers employ regularly. There is also I think, the firm of Beament and Beament, here in Ottawa, who have been representing us on occasion and they said I might call on them. They kept me up most of the night and told me that I have been taken unfair advantage of, pushed around, abused, slandered, and made a fool of. They told me this gentleman from Quebec that was trying to impugn my character yesterday and subject me to cross-examination,—

Mr. LESAGE: Mr. Chairman, I think we have stood enough of this.

The VICE CHAIRMAN: Mr. Christensen, let us have an understanding here. In the first place I do not think that any person has cast any reflections on your character.

The WITNESS: I do not agree with you.

The VICE CHAIRMAN: You do not need to agree with me but if you will listen I will tell you that the direction of the committee is in the hands of the chairman.

The WITNESS: Well—

The VICE CHAIRMAN: Will you please listen for just a few moments. Now it is not, I am confident, the opinion of this committee that any person has attacked your character and it is not, I am sure and certain, the opinion of the committee, and certainly not my opinion, that you have been in any way pushed around. On the contrary, the attitude of this committee towards you has, at all

times, been completely respectful and there is the utmost respect in this committee for you now and there has been at all times. It may have been that through some unfortunate manner or attitude of your own there has been occasionally a reaction that would lead you to think that possibly people were rather inclined against you, but to use a word that has been used by yourself, it is a hallucination on your own part.

The WITNESS: I beg to differ with you.

The VICE CHAIRMAN: You may differ as much as you like. Now the next thing that needs to be said is this. The course of the proceedings of this committee will be directed by the committee. We have taken note of what you said, that you desire to have a certain man subpoenaed and that is all that need be said about that matter. We will now proceed to get answers to questions in so far as you can or wish to give them. General lectures by yourself are not welcome and will not hereafter be tolerated.

The WITNESS: May I ask a question?

The VICE CHAIRMAN: You may ask a question, if it is a question relating to these proceedings, but otherwise you may not ask a question.

The WITNESS: Is there any law in this country that forces me to submit to the abuse I took here yesterday?

The VICE CHAIRMAN: That question is, as a matter of fact, not worth consideration for two reasons.

Mr. LESAGE: Mr. Chairman—

The VICE CHAIRMAN: Just a moment Mr. Lesage. Mr. Christensen you did not receive any abuse yesterday.

The WITNESS: I differ.

The VICE CHAIRMAN: I know you differ all the time, but at any time that you are being subject to abuse the chair will protect you. There is that much law.

The WITNESS: The chair did not.

The VICE CHAIRMAN: Because every person except yourself realized you were not being subjected to abuse.

Mr. LESAGE: Mr. Chairman—

The VICE CHAIRMAN: I do not believe you would help matters, Mr. Lesage, by a statement now.

Mr. LESAGE: I just want to say that I am sorry if the witness thinks I wanted to abuse him. That was far from my intention.

The VICE CHAIRMAN: I should now like to know whether this committee desires to proceed in a more orderly fashion with this witness. I should like to know whether there is any person in the committee who desires to ask questions?

Mr. IRVINE: I would like to ask whether the witness desires to go ahead now or wait until counsel is subpoenaed?

The VICE CHAIRMAN: Would you be willing to answer that?

The WITNESS: Pardon me, I did not talk about subpoenaing counsel but I asked that you subpoena Mr. J. R. Thomson of St. Catharines, a grocer, who is delegated to represent Mr. George Whitter, National President of the Food Division.

Mr. IRVINE: My question is still the same. Does he wish to wait until that gentleman arrives or go ahead now?

The WITNESS: I am not going to ask you to delay at all. He will be here this afternoon, in any event, and if he can come in when he does arrive—he will try to be here before 4 o'clock.

The VICE CHAIRMAN: Are there any other questions anyone wishes to ask the witness?

By Mr. Winters:

Q. I would like to ask a question relative to the one I asked yesterday. With respect to exhibit 6 and the prices paid by retailers— —A. Will you please speak louder because I think your question is going to have to be handled by Mr. Jamieson?

Q. In exhibit 6 prices paid by retailers for carrots, cabbage, and celery, are noted. Then referring to Mr. Christensen's statement of exorbitant mark-up or margin of profit taken by wholesalers with respect particularly to carrots, cabbage, and leaf lettuce, Mr. Christensen said he was not able to supply evidence as to the prices paid by the wholesalers for those vegetables?—A. I beg your pardon?

Q. Is that correct?—A. The fact that I had not the evidence here does not mean I cannot supply it. It is easy to get.

Q. You will get that?—A. I was not asked to. If you say so I will get it, I will certainly get it. It is easy to get.

Q. If the witness can get any evidence— —A. We will do so if you require it.

Q. If you can you will?—A. We can.

The VICE CHAIRMAN: Just a moment, Mr. Christensen, will you please stop interrupting?

The WITNESS: He questioned me.

The VICE CHAIRMAN: That is all very well but do not interrupt. Will you repeat your question?

Mr. WINTERS: My question is whether the witness is going to give us evidence as to the price of those vegetables bought by the wholesalers for the corresponding periods?

The VICE CHAIRMAN: Would you be able to answer?

The WITNESS: We can secure that.

The VICE CHAIRMAN: Would you be good enough to do so?

The WITNESS: Please get it in writing; I cannot remember all these things?

The VICE CHAIRMAN: It will be put in writing.

The WITNESS: Mr. Chairman, yesterday the chairman told me that he would have the stenographer supply me with a list of the papers and documents and the information that they wanted me to get. That has not been done.

The VICE CHAIRMAN: It will be done.

The WITNESS: They said it would be done so I could have it here this afternoon.

The VICE CHAIRMAN: That is not so.

The WITNESS: That is what they told me and just want to keep it clear on the record that I am not delinquent.

The VICE CHAIRMAN: You are not delinquent at all. Now are there any further questions?

Mr. FLEMING: I understood that Mr. Christensen, with Mr. Jamieson's assistance, was endeavouring to prepare some further information based on the invoices? Is there any statement available on that now?

Mr. DYDE: I think you are referring to the statement which we worked on last night with Mr. Jamieson and which is still coming to us from the mimeographing department.

Mr. FLEMING: Mr. Chairman, I think we had better leave the witness until we get the statement. It will save a lot of time if we have the statment in front of us.

The VICE CHAIRMAN: I am sorry, I missed the last part of what you said?

Mr. FLEMING: I think it will save time if we do not proceed further with the witness until we have the statement in front of us.

The VICE CHAIRMAN: That would be my own view, but what would the committee propose?

Mr. FLEMING: I suggest the statement be made available this afternoon and that now we go on with the other witnesses who are here on the matter of fruit and vegetables. Mr. Christensen can come on at 4 o'clock.

The WITNESS: May I—

The VICE CHAIRMAN: Just a moment, please. The suggestion is made that we should stand this witness down until 4 o'clock and proceed with other witnesses. Of course, we do not want to decide that without reference to Mr. Christensen, to whatever his view may be.

Mr. CLEAVER: Did Mr. Dyde express an opinion as to how soon the mimeographed material will be available?

The VICE CHAIRMAN: He has already said that it is expected momentarily. There has been some kind of a breakdown in the machinery of transmission. I have been watching the door expecting to see it come in.

Mr. WINTERS: I think Mr. Cleaver's suggestion is a good one and I am inclined to agree with him.

The VICE CHAIRMAN: How would that convenience or inconvenience you Mr. Christensen, if he were to stand you down until 4 o'clock and proceed with some other evidence until then. Would that make any difference to you?

The WITNESS: Yes, it would. I cannot agree to that. We did our part—

The VICE CHAIRMAN: What is your objection?

The WITNESS: We did our part working away into the night. Mr. Jamieson did a lot of hard work. He has held down his part preparing this information for us for use this morning. We have done our part in preparing the material and I refuse to accept any blame for the delay.

The VICE CHAIRMAN: Nobody is blaming you, sir.

The WITNESS: A lot of people have tried to.

The VICE CHAIRMAN: I know, you have been put upon during the whole of this hearing, but at the present moment no person particularly is blaming you.

The WITNESS: Here they come. That is what prayer does.

The VICE CHAIRMAN: The committee will please take notice; the witness has been praying and the goods are here.

The WITNESS: That is true. That is true.

The VICE CHAIRMAN: I heard you say it.

Mr. JOHNSTON: Has this material been identified as an exhibit, Mr. Chairman?

The VICE CHAIRMAN: Not yet. This will be exhibit No. 7. We might as well identify it now for your convenience.

EXHIBIT NO. 7—Statement of price paid by retailers on citrus fruits.

CITRUS FRUITS

Table prepared by William S. Jamieson and submitted by George Christensen

Date of Invoice	Name of wholesaler	Address of wholesaler	Name of retailer	Address of retailer	Size (count)	Number of cases purchased by retailer	Price per case paid by retailer
SIZE 200—CALIFORNIA ORANGES							
Nov. 4	Barrett Brothers	Toronto	W. Probert	Toronto	200	1	7 50
Nov. 17	Barrett Brothers	Toronto	W. Probert	Toronto	200	1	7 00
Nov. 21	Gamble-Robinson	Sudbury	A. E. Hodge	Falconbridge	200	4	7 25
Dec. 20	Kalles & Sharf	Toronto	Jas. Hussey	Toronto	200	2	6 25
Dec. 20	Ottawa Fruit Supply	Ottawa	C. R. Hickman	Ottawa	200	1	5 50
Dec. 23	Chas. S. Simpson	Toronto	Jas. Hussey	Toronto	200	2	6 75
Jan. 21	Gamble-Robinson	Sudbury	A. E. Hodge	Falconbridge	200	5	6 00
SIZE 220—CALIFORNIA ORANGES							
Oct. 23	Gamble-Robinson	Sudbury	A. E. Hodge	Falconbridge	220	2	7 00
Nov. 4	Lococo Brothers	Niagara Falls	Thompson Food Market	Thorold	220	2	7 50
Nov. 6	Gamble-Robinson	Sudbury	A. E. Hodge	Falconbridge	220	2	7 00
Nov. 15	Gamble-Robinson	Sudbury	A. E. Hodge	Falconbridge	220	2	7 00
Nov. 18	Federal Fruit	Toronto	Gus Fruit Market	Toronto	220	2	6 00
Nov. 28	Geo. C. Anspach	Toronto	Jas. Hussey	Toronto	220	1	7 00
Dec. 8	Gamble-Robinson	Sudbury	A. E. Hodge	Falconbridge	220	10	5 90
Jan. 26	Kalles & Sharf	Toronto	Jas. Hussey	Toronto	220	1	6 75
SIZE 252—CALIFORNIA ORANGES							
Oct. 31	Dominion Fruit	Toronto	Gus Fruit Market	Toronto	252	4	5 90
Nov. 13	National Grocers	Toronto	F. Hill	Toronto	252	2	5 50
Nov. 24	Manser Webb	Toronto	Gus Fruit Market	Toronto	252	2	5 50
Dec. 3	Ross Martin	Toronto	Eglinton Market	Toronto	252	5	6 00
Dec. 10	Ottawa Fruit Supply	Ottawa	C. R. Hickman	Ottawa	252	2	5 50
Dec. 29	C. H. Wiles	Toronto	D. Nichols	Toronto	252	2	5 50
Jan. 19	C. H. Wiles	Toronto	D. Nichols	Toronto	252	1	6 00
Jan. 26	C. H. Wiles	Toronto	D. Nichols	Toronto	252	2	6 25

SIZE 288—CALIFORNIA ORANGES

Nov. 4	Lococo Brothers.....	Niagara Falls.....	Thompson Food Market.....	Thorold.....	288	3	6 00
Nov. 20	Barrett Brothers.....	Toronto.....	W. Probert.....	Toronto.....	288	1	7 25
Nov. 21	Gamble-Robinson.....	Sudbury.....	A. E. Hodge.....	Falconbridge.....	288	10	5 75
Nov. 28	Geo. C. Anspach.....	Toronto.....	Jas. Hussey.....	Toronto.....	288	2	6 50
Dec. 8	Gamble-Robinson.....	Sudbury.....	A. E. Hodge.....	Falconbridge.....	288	25	5 90
Dec. 16	Chas. S. Simpson.....	Toronto.....	Jas. Hussey.....	Toronto.....	288	3	5 00
Jan. 2	Barrett Brothers.....	Toronto.....	W. Probert.....	Toronto.....	288	1	6 00
Jan. 14	Gamble-Robinson.....	Subdury.....	A. E. Hodge.....	Falconbridge.....	288	5	5 50
Jan. 19	Barrett Brothers.....	Toronto.....	W. Probert.....	Toronto.....	288	1	6 50

SIZE 344—CALIFORNIA ORANGES

Oct. 28	Barrett Brothers.....	Toronto.....	W. Probert.....	Toronto.....	344	1	5 25
Nov. 28	H. Fine & Sons.....	Ottawa.....	C. R. Hickman.....	Ottawa.....	344	1	7 00
Dec. 4	H. Fine & Sons.....	Ottawa.....	C. R. Hickman.....	Ottawa.....	344	1	6 00
Dec. 12	H. Fine & Sons.....	Ottawa.....	C. R. Hickman.....	Ottawa.....	344	1	5 00
Feb. 6	Lococo Brothers.....	Niagara Falls.....	Thompson Food Market.....	Thorold.....	344	3	5 00

FLORIDA ORANGES

Oct. 31	Dominion Fruit.....	Toronto.....	Gus Fruit Market.....	Toronto.....	216	2	5 25
Nov. 4	Ontario Produce.....	Toronto.....	Gus Fruit Market.....	Toronto.....	216	2	4 50
Nov. 6	Dominion Fruit.....	Toronto.....	Gus Fruit Market.....	Toronto.....	216	2	5 00
Nov. 20	Dominion Fruit.....	Toronto.....	Gus Fruit Market.....	Toronto.....	216	5	5 50
Dec. 10	Ottawa Fruit Supply.....	Ottawa.....	C. R. Hickman.....	Ottawa.....	250	1	5 25
Dec. 29	Weeks Produce.....	Toronto.....	Eglinton Market.....	Toronto.....	250	1	5 00
Jan. 26	S. Leone.....	Toronto.....	J. Craig.....	Toronto.....	216	1	5 90

LEMONS

Oct. 31	Dominion Fruit.....	Toronto.....	Gus Fruit Market.....	Toronto.....	n/s	2	6 75
Nov. 13	Geo. C. Anspach.....	Toronto.....	Gus Fruit Market.....	Toronto.....	300	2	8 00
Nov. 21	Gamble-Robinson.....	Sudbury.....	A. E. Hodge.....	Falconbridge.....	n/s	1	8 75
Nov. 24	Chas. S. Simpson.....	Toronto.....	Jas. Hussey.....	Toronto.....	300	1	10 00
Jan. 14	Gamble-Robinson.....	Sudbury.....	A. E. Hodge.....	Falconbridge.....	n/s	1	6 75
Feb. 4	Lococo Brothers.....	Niagara Falls.....	Thompson Food Market.....	Thorold.....	300	1	5 75

CITRUS FRUITS—*Concluded*

Table prepared by William S. Jamieson and submitted by George Christensen

Date of Invoice	Name of wholesaler	Address of wholesaler	Name of retailer	Address of retailer	Size (count)	Number of cases purchased by retailer	Price per case paid by retailer
GRAPEFRUIT (Size 96)							
Nov. 4	Lococo Brothers.....	Niagara Falls.....	Thompson Food Market.....	Thorold.....	96	2	3 90
Nov. 5	C. H. Wiles.....	Toronto.....	D. Nichols.....	Toronto.....	96	1	4 25
Nov. 6	Gamble-Robinson.....	Sudbury.....	A. E. Hodge.....	Falconbridge.....	96	2	4 50
Nov. 21	Gamble-Robinson.....	Sudbury.....	A. E. Hodge.....	Falconbridge.....	96	3	4 00
Dec. 10	M. Cutrara.....	Toronto.....	Preston.....	Toronto.....	96	1	4 25
Dec. 29	Gamble-Robinson.....	Sudbury.....	A. E. Hodge.....	Falconbridge.....	96	1	3 90
Jan. 5	C. H. Wiles.....	Toronto.....	D. Nichols.....	Toronto.....	96	1	3 75
Jan. 19	C. H. Wiles.....	Toronto.....	D. Nichols.....	Toronto.....	96	1	3 75
Jan. 30	Everist Bros.....	Toronto.....	Carload Groceries.....	Toronto.....	96	1	3 50

n/s=Size not specified on invoice.

Mr. HOMUTH: That is a lucky number, you know.

Mr. MAYHEW: Yes—come eleven.

Mr. DYDE: Mr. Jamieson, in order to make quite clear the machinery; I understand that you have prepared certain figures on additional invoices as requested yesterday and that the page which is now before the committee is the first page of two or three pages. I am not sure which, the additional pages will come along to us; but this is only the first of a number of pages.

Mr. JAMIESON: That is correct.

Mr. DYDE: And you are tendering this as an exhibit with the invoices attached and the invoices now attached to this sheet are the invoices covering all three pages; is that correct?

Mr. JAMIESON: That is correct.

Mr. DYDE: And, Mr. Jamieson, will you please explain to the committee your method in the making of this statement?

The VICE-CHAIRMAN: Gentlemen, I glanced around just now and there are quite a number of private conversations. I know there was difficulty with something someone was asking just a moment ago. If these small conferences are to continue it will not be possible for us to hear what is being said around even this small table. Yes. Go ahead.

Mr. JAMIESON: With the assistance of Mr. Wilson last night we searched through hundreds of retailers' invoices in an effort to secure the comparison as requested by this committee of purchases prior to November 17 and after and proceeding up to the date of the presentation first made, our first compilation. I would like to point out at this time that this comparison is only on the prices paid by the retailer for the particular size of the commodity, and the first page gives three sizes of California oranges. No effort was made to secure the cost of these goods laid down at wholesale level because we have no opportunity to secure such information. The information presented on the first brief there are the facts relating to the current operating situation. Now, it may be that your later witnesses from the wholesale trade may be able to supply you with information with respect to these commodities here.

Mr. WINTERS: Would it be safe to draw a comparison—

The VICE-CHAIRMAN: Leave it in the hands of counsel for a little while, if you don't mind, Mr. Winters.

Mr. DYDE: With regard to the size 200 California oranges you have said previously and I notice here that your invoices start with November 4 and finish up with January 21; and in connection with the size 220 you have started with October 23 and you finish with January 26; then, you have gone on to size 252 California oranges and your date runs from October 31 to December 29; and I understand that your succeeding pages will deal with other sizes of oranges?

Mr. JAMIESON: I may say, Mr. Dyde, that I am not sure that the 252's are all tabulated on the tabulation you now have before you, it may be carried over to the next page.

Mr. DYDE: Right. Now then, there is one further question Mr. Chairman, and that is this; you have a large bag of invoices which was shown to the committee yesterday; and would you please explain how you chose the invoices, because you must have made a choice?

Mr. JAMIESON: Mr. Wilson and I carefully went over every invoice in an effort to avoid duplication, a tremendous amount of paperwork, on this, and we scrutinized each one carefully to make sure that there was a fair comparison in respect to these commodities.

Mr. DYDE: Those are the only questions I have at the moment, Mr. Chairman.

Mr. JAMIESON: May I make one further remark, Mr. Chairman?

The VICE-CHAIRMAN: Certainly.

Mr. JAMIESON: May I be permitted to remark that yesterday in answer to some questions I attempted to bring out the fact that prior to November 17 that the oranges, the trade we were then handling, were what is known as the summer variety of Valencia orange, an entirely different species that is being sold at the present time; and then you have the situation of the seasons closing out and supplies quite often in very short supply results quite often in quite a high market at source whereas shortly after the season gets under way I quite appreciate we find some substantial declines of price taking place, that would be towards the peak of the season.

The WITNESS: Mr. Chairman, may I make a suggestion?

The VICE-CHAIRMAN: Yes.

The WITNESS: I would like to suggest that I be permitted to, or that this committee do it, wire the California Orange Growers Association in California and request—we could get this—request them to give us the price on these Valencia California oranges, f.o.b. California starting with November 1 or perhaps a little earlier than that, maybe October 15, from October 15 to January 31—each week, or each time that there was a change in the market—what the price was f.o.b. California. Then, gentlemen, you will be dealing with facts, you will not be dealing with theory.

The VICE-CHAIRMAN: Thank you very much for the suggestion, Mr. Christensen. Now, Mr. Winters, I think you wanted to ask a question.

Mr. WINTERS: It was related to the information we now have before us.

The WITNESS: Would you do that, Mr. Chairman?

The VICE-CHAIRMAN: Mr. Christensen, you made a suggestion to the committee and I said, thank you for the suggestion. As to whether you should wire some person or not for some information, that is entirely in your own judgment.

The WITNESS: Would the committee mind doing that?

The VICE-CHAIRMAN: That will be decided whenever we decide to decide it. At the moment all I have done is to thank you for the suggestion; and there we will leave it and get on with questioning. Mr. Winters?

Mr. WINTERS: Yes. My question had to do with the laid-in cost to the wholesaler, and until we get that I think exhibit 7, as exhibit 6, will not be of very much use to us.

The VICE-CHAIRMAN: What about the balance of these figures, are they available now?

Mr. DYDE: Yes, Mr. Chairman; I now have pages 2 and 3 of this exhibit No. 7. Gentlemen, the pages are not numbered and the only way I think I can help you to identify which is page 2 and which is page 3 is to say that page 2 completes the items on the size 252 navel oranges. There are two items on size 252 navel oranges at the top of the page and that will be page 2 of this exhibit, and page 3 of exhibit 7 starts with Florida oranges. Mr. Jamieson, now on pages 2 and 3 of exhibit 7, which are now before us, am I correct in saying that these pages were made up in the same way as you have described with respect to page 1 of exhibit 7?

Mr. JAMIESON: That is correct, sir.

Mr. DYDE: I have no further questions, Mr. Chairman.

The VICE-CHAIRMAN: Does your question become proper now, Mr. Winters?

Mr. WINTERS: Yes.

The VICE-CHAIRMAN: Would you repeat that?

Mr. WINTERS: Yes.

The VICE-CHAIRMAN: Would you repeat it?

Mr. WINTERS: Well, it involves this matter of getting laid-in costs; and I suggest, Mr. Chairman, that until we have the laid-in costs for these commodities for the respective sizes this information will be of very little value to us.

The VICE-CHAIRMAN: Your expression "laid-in costs" means the cost—

Mr. WINTERS: As we had it yesterday for exhibit 5.

The VICE-CHAIRMAN: That is laid in, in the hands of the wholesaler in Toronto or some other place?

Mr. WINTERS: Yes.

Mr. JAMIESON: May I make a further observation?

The VICE-CHAIRMAN: Yes, Mr. Jamieson.

Mr. JAMIESON: I would like to make an observation about lemons so there will be no misunderstanding. This comparison shown here, these early dates up to November 24, were California lemons. The later ones, from January 14 to February 4 are Italian lemons.

Mr. MAYHEW: That is on page 2?

Mr. JAMIESON: On page 3.

The VICE-CHAIRMAN: May I interrupt you there for just a moment; we want to get this clear. You have on page 3 four statements of the purchase of lemons during October and November and then you have two for January and February?

Mr. JAMIESON: That is right, sir.

The VICE-CHAIRMAN: The first four are California and the last two would be Italian; is that your statement?

Mr. JAMIESON: That is correct.

Mr. MAYHEW: Mr. Chairman, may I ask—

The VICE-CHAIRMAN: Speak up, please.

Mr. MAYHEW: I think we are principally concerned with the wholesalers' price, with the price at the wholesale level, with the price of the retail level and with the price to the consumer; the spread between them; and we must have that as we have to decide as to whether or not there has been an undue mark-up. To do that we need to have the invoices and we need to get the wholesale price f.o.b. the warehouse.

The VICE-CHAIRMAN: Could the witness supply that?

The WITNESS: We can supply it.

The VICE-CHAIRMAN: Just a moment, Mr. Christensen stop interrupting.

The WITNESS: Never before in—

The VICE-CHAIRMAN: No interrupting. That is all I have to ask and that ought to be easy to do. Mr. Mayhew, I was suggesting that perhaps the witness could not give that in all cases, but your opinion is that it needs to be obtained?

Mr. MAYHEW: It should be done.

Mr. JAMIESON: May I make an observation?

The VICE CHAIRMAN: Yes.

Mr. JAMIESON: I believe there are witnesses in the room who if they were asked to could get this information for you very easily.

The VICE-CHAIRMAN: Thank you. Are there any other questions now on the basis of these three sheets?

Mr. CLEAVER: I have just one, Mr. Chairman. Mr. Jamieson, I notice—if you refer to the size 200 California oranges, to the item of November 4, prior to the restrictions being imposed—that indicates the peak price that was paid by the dealers for this size of oranges. Have you any other comments to make in regard to that other than the fact that that item was Valencia oranges as opposed to another type of orange which is now on the market?

Mr. JAMIESON: That is correct, sir, Valencias as against Navels.

Mr. CLEAVER: That is the only explanation of the fact that on November 4 we had the peak price?

Mr. JAMIESON: We have no other basis of comparison.

Mr. IRVINE: What is the customary difference in price between those two types of orange?

Mr. JAMIESON: The only answer I can give is there is no customary difference. It depends on the supply at the source; the market at the source may be a low one or a high one.

Mr. CLEAVER: So, until we have the market prices, the information is of little or no value?

Mr. JAMIESON: I tried to explain that yesterday.

The WITNESS: Neither Mr. Jamieson nor myself or anybody else is prepared to say that was the peak price. There are more than 35,000 or 40,000 retailers handling oranges and some wholesaler might have charged \$12 a case.

The VICE-CHAIRMAN: I believe Mr. Cleaver was saying that, in this table, that happens to be the peak price and that caused him to use that as a peg for his question.

The WITNESS: If he would qualify his question, then.

The VICE-CHAIRMAN: Thank you for the suggestion he is not questioning well. He will doubtless take note of that.

Mr. FLEMING: In the absence of the definite figures as to the laid down costs to the wholesaler in Canada, can Mr. Jamieson or Mr. Christensen make any observation as to the trends in those prices in recent months?

The VICE-CHAIRMAN: Did you get that question clearly?

The WITNESS: I do not know exactly what you mean. Put it in plain English, ordinary barnyard English.

The VICE-CHAIRMAN: Mr. Fleming, you will agree that your question was quite plain. The witness did not quite get it, perhaps owing to the fact it was rather lengthy. Please put it again to the witness.

By Mr. Fleming:

Q. Let me explain it this way then to both witnesses. We know now that you have not got definite figures as to the laid down costs of these fruits to the wholesalers in Canada?—A. That particular period, you mean?

Q. We are dealing with this exhibit 7: You have not got those figures so we could make a comparison item by item of laid down costs to the wholesaler in Canada and the price he is charging to the retailer. Have you any information as to the trend in recent months, that is upwards or downwards, in the price charged to the Canadian wholesalers by the producers in the United States or elsewhere?—A. Neither Mr. Jamieson nor I, during that period, was dealing with that. We were not buying or selling this commodity so we would not know, but we will gladly secure that information and secure the actual facts.

The VICE-CHAIRMAN: Thank you very much. Any other questions?

Mr. McCUBBIN: If you are going to get this information concerning charges from producer to wholesaler and wholesaler to retailer, should we not have the price from the retailer to the consumer?

Mr. IRVINE: We can get the consumer to tell us that.

Mr. FLEMING: We asked for that yesterday.

Mr. CLEAVER: We were told what the normal mark-up was.

Mr. McCUBBIN: But the actual price?

The VICE-CHAIRMAN: Are you aware that the witness dealt with that yesterday? It was suggested there was a way of getting that, probably not direct from this witness.

Mr. JOHNSTON: There is just one thought which I have on these exhibits. Mr. Jamieson, would you refer to exhibit 7, page 1. You quote California oranges there, size 200, and you give the peak price on November 4 at \$7.50. Then, coming back to the end of this size, on January 21, you give the price as \$6.

Now, I understood the witness to say yesterday that those prices had skyrocketed. Yet, according to the prices here to the retailer, there was a steady decline in price from \$7.50 to \$6.

Now then, if you take the size 220, California oranges, you find that the high price was on October 23, \$7. On December—

Mr. MacINNIS: November 4, \$7.50.

Mr. JOHNSTON: They went up to \$7.50 on November 4, that was before November 17 when the ceiling was taken off. Then, on December 8, they went down to \$5.90.

Mr. JAMIESON: May I say, sir, in answer to that, when this request was made I said these figures could be no basis of comparison because you are dealing with two entirely different things. You are dealing with the situation at the end of a season for one variety of orange and you are coming later to an entirely different variety which is beginning to reach its peak. I think our answer showing the prices which were charged, submitted in yesterday's exhibit, tells whether prices skyrocketed or not.

The VICE-CHAIRMAN: May I just for clarification's sake ask this; the oranges in the first section of exhibit 1, page 1, are one kind with a price of \$7.50—I thought you said they were Valencias?

Mr. JAMIESON: Valencias.

The VICE-CHAIRMAN: And thereafter, they are of a different kind?

Mr. JAMIESON: On the 200 size, you could safely assume that from December 20 they are navels.

Mr. JOHNSTON: I think that should have been indicated when the statement was issued. Probably the witness did.

The VICE-CHAIRMAN: He did make this observation a little while ago. It is true it might have been better if it were on the statement, but he endeavoured to clear it up at that time.

Mr. JOHNSTON: Bearing that in mind and going on to the next size 252. California oranges—

The VICE-CHAIRMAN: That same remark applies to this second section, I suppose; is that right? Up to that date, you could assume they are of one variety?

Mr. JAMIESON: It is only safe to assume that, after the first of December, navels might be on the market. There might have been, in some cases, a carry-over of Valencias into the early part of December.

The VICE-CHAIRMAN: Will you continue, Mr. Johnston.

Mr. JOHNSTON: I just wanted to point out that it appears at any rate, taking into consideration the remarks of the witness, there was, generally speaking, a decline in price. Would the witness care to comment on that statement?

Mr. JAMIESON: I should like to have it repeated.

Mr. JOHNSTON: In regard to the size 220 oranges, your price quoted on October 23 was \$7; on December 8, it was \$5.90. Now, in view of the fact the witness said the other day prices had skyrocketed and it appears there has been a decline in the price, would you care to comment on that?

Mr. JAMIESON: I say again, until you get your comparison of your cost to the wholesaler, any statement such as this, shall we say, would be somewhat irrelevant because it is difficult to understand.

The VICE-CHAIRMAN: Until the blanks are filled in?

Mr. JAMIESON: Yes.

Mr. CLEAVER: May I ask one question as to exhibit 5? Would you care to indicate the date we should fill in for the approximate laid-in costs on exhibit 5? What would you suggest as to the date of the approximate laid-in costs?

The VICE-CHAIRMAN: He has exhibit 5 in his hand now.

Mr. CLEAVER: Since the question of the date, the importance of that has now become apparent, would you care to indicate the date we should fill in over the heading, "Approximate laid-in costs", on exhibit 5? Should that be February 6, the date of the first item on the statement or should it be November 17, or what date should we fill in there?

The WITNESS: We do not know when those oranges were bought. If you will refer to the bulletin which we supplied here yesterday, you will see we say, "Approximate laid-in costs based on wired quotations from California, on or within a few days of a certain date." We cannot tell you the other things. We have not got that information.

By Mr. Cleaver:

Q. Would you mind giving me that date?—A. We do not know the date.

Q. You say you wired on a certain date. Would you give me that date?—A. We got the best information from the brokers or people in the trade or from the wholesalers or retailers, chain store buyers and others who buy direct.

Q. For the approximate cost, you must have taken some date and all I should like to know is what date you took?—A. You mean—let us take bulletin No. 251, dated February 3—

Q. No, if you will refer to exhibit 5.—A. That is no good for this.

Mr. MacINNIS: If Mr. Cleaver will allow me, I might say I think there was an explanation made yesterday in answer to a question by someone at that end of the table, that the time lapse between the date of shipment and the date the commodity would appear on the market would be something like two weeks.

Mr. CLEAVER: I was not interested in anything excepting to find out from the witness the date which he took for the purpose of compiling the approximate laid-in cost.

The WITNESS: Could you tell me, Mr. Jamieson, when you received this information?

Mr. JAMIESON: February 7. There is an obvious change from the previous week.

The WITNESS: May I read this please, because the members of the committee have not copies.

The VICE-CHAIRMAN: This will be an answer to what Mr. Cleaver has asked?

The WITNESS: I will read this:

"Fruit and Vegetable Merchandising Guide"; "Item"; "How Packed"; "Approximate laid-in cost to Toronto wholesalers based on recent quotations—"

Let us get that straight, gentlemen, "Based on recent quotations."

The VICE-CHAIRMAN: Just read the document you wish to read.

The WITNESS: It is very important that they understand that. It shows the market change on Sunkist oranges, size 126.

Mr. CLEAVER: I do not want the amount, I already have that. All I want to know is on what date these approximate costs were compiled?

The WITNESS: Within a few days of February 3. We received the information as to what these oranges and other citrus fruits, whatever is here, cost in the United States.

The VICE-CHAIRMAN: Within a few days of February 3 is an approximation to February 3, so that is the answer, is it not?

Mr. CLEAVER: Thank you.

The VICE-CHAIRMAN: Are there any other questions of this witness?

Mr. JOHNSTON: Just one more question, as I wish to follow up that matter. If the witness will turn to exhibit 7, page 3, where he refers to California lemons, he will notice on October 31 the price quoted is \$6.75; that is the price to the retailer. Then on November 24 the price is \$10. That would appear to be one of those places where the prices did skyrocket, but I suggest to the witness that is not the true picture, in view of the fact you do not know what the laid-in cost was. Now, that \$10 may be, I use that word advisedly, a legitimate cost.

The WITNESS: It could be, but we would be glad to find out what those lemons could have been laid-in for, not what they may have paid for them, because it is often the case in the wholesale fruit business that the commodity will go through two or three hands. There are a number of secondary handlers in the wholesale fruit business.

In last night's paper you may have noticed the mark-up the Wartime Prices and Trade Board is going to permit now on citrus fruits. The wholesalers are now permitted an additional 2 per cent more than they received on the citrus fruits under price control. They allowed 17 per cent now; that helps to bring down the cost of living.

By Mr. Johnston:

Q. It would not be fair to say, then, that the reason for the increased price from \$6.75 to \$10 was a skyrocketing of price until you know the other facts?
A.—No, but I would be willing to bet \$5 to \$1 that is the case.

Mr. CLEAVER: At the present time it is just an opinion.

The VICE-CHAIRMAN: Are there any other questions of this witness? If there are no other questions, we had better call the next witness. There are some things, however, Mr. Christensen, to which you referred yourself this morning, on which there had been, more or less, an agreement or understanding that you would be good enough to supply some further material. Of course, you cannot do that without having the question given to you much more definitely. You cannot be expected to remember that sort of thing exactly, so some official of the committee will make sure that the information is conveyed to you.

I wish to thank you in advance for getting that information.

The WITNESS: May I say that I telephoned last night and most of that information will be upon the afternoon plane.

The VICE-CHAIRMAN: That is very good of you. If there are no other questions, we will allow this witness to retire and call the next witness.

Is that agreed?

Agreed.

Mr. Christensen and Mr. Jamieson, we wish to thank you very much for the evidence you have given and for the additional help you are going to give.

Mr. DYDE: There are certain representatives of the wholesalers here, Mr. Chairman. I believe they have decided who is to give the evidence, so they might be asked to come forward.

George H. Reynolds, Secretary, Toronto Wholesale Fruit Produce Merchants Association, sworn.

By Mr. Dyde:

Q. Mr. Reynolds, would you give the committee your occupation and address?—A. I am secretary of the Toronto Wholesale Fruit Produce Merchants Association.

Mr. HARKNESS: What is the name?

The VICE-CHAIRMAN: Mr. Reynolds. I do not think the initials were given.

The WITNESS: George H.

The VICE-CHAIRMAN: They were probably given but I did not catch them.

The WITNESS: The address is 56 Front street east, Toronto.

By Mr. Homuth:

Q. May I ask Mr. Reynolds one question? Do the commission merchants—

The VICE-CHAIRMAN: Wait a moment, please. He is declaring what his occupation is, and so forth, at the moment.

Mr. FLEMING: We did not get the whole name, Toronto Wholesale Fruit—

The VICE-CHAIRMAN: That is what counsel is desiring to do. Counsel will completely introduce the witness for us.

By Mr. Dyde:

Q. Some of the committee did not catch the name of your association, Mr. Reynolds. Would you repeat it slowly.—A. Toronto Wholesale Fruit Produce Merchants Association.

Q. And I understand you have prepared a statement which you would like to make to the committee. Is that correct?—A. Yes, sir.

Q. I understand also you have not been able to make copies of it but that you are ready now to make that statement?—A. Correct.

Q. Would you please do so.

The VICE-CHAIRMAN: What I have been saying to the witness is that if there happened to be a duplicate handy we might send it out for mimeographing as quickly as possible. If you will give me a duplicate of that we will try to do so.

Mr. HARKNESS: Has this witness been sworn?

The WITNESS: Yes.

Mr. HOMUTH: I think my question is still in order.

The VICE-CHAIRMAN: Your question is in order.

By Mr. Homuth:

Q. What I want to ask Mr. Reynolds is do the commission produce dealers of Toronto belong to your organization?—A. They do. Mr. Chairman, we can file one copy as an exhibit while waiting for the mimeographed copies.

The VICE-CHAIRMAN: That will be Exhibit A.

Mr. MacINNIS: I think you should file the original copy.

The VICE-CHAIRMAN: I suppose that is right.

Mr. FLEMING: Just to keep the record clear, I do not think you need to mark it as an exhibit if it is going to be read into the record. It is not going into the appendix to our proceedings. It is read into the record.

The VICE-CHAIRMAN: Then it will be for the convenience of the reporter. It does not need to be marked.

The WITNESS: Mr. Christensen has denied the following statement credited to him in the *Toronto Star* on February 13.

"We know of one Toronto fruit speculator who brought in six carloads of oranges and put them in storage to hold out for a price of \$12 a case", said George Christensen national food director. "These oranges were bought as low as \$1.90 a case f.o.b. California or \$3.45 per case in Toronto. We know who the culprit is and many more like him and we are going to release the findings of our investigation".

He now states that he does not know the culprit and that he did not tell the *Star* that he did. When we stated that we would welcome an investigation of these charges we were quite positive that the statement credited to Mr. Christensen could not be substantiated.

There are oranges in the terminal warehouse in cold storage, but they are the property of processors and are bitter oranges used only in the manufacture of marmalade.

There is no monopoly or combine in the Toronto wholesale fruit trade. There is no effort made to fix prices or to control supplies.

Prices are established by the free play of supply and demand. From the perishable nature of the merchandise handled and the uncertainty of the weather, prices are continually fluctuating. Wholesalers sell at the market as established by buyers' demand whether such sales are at a profit or at a loss. Certain commodities today are currently selling below cost, viz. B.C. apples. C grade Delicious cost \$2.95 per box, plus storage; in many cases selling at \$2.75. The potato market has declined from \$2.90 to \$2.30 for N.B. in carlots laid down Toronto.

By Mr. Irvine:

Q. These are wholesale prices?—A. Carlot prices. That is the price at which the wholesaler buys. The market today is \$2.35 to \$2.50 and there are still potatoes which cost \$2.90 in wholesalers' hands. Cabbage from Texas has declined from a laid-down cost of \$2.45 to as low as \$1.75 for 50 pounds. Current selling price is \$1.65 to \$2.00, depending on quality, and is showing losses in most cases.

We can supply the committee with many invoices showing transactions made at a loss in the above commodities.

Citrus fruits have been showing substantial profits due to strong demand and limited supply resulting from the quota system. Yesterday's announcement by the Wartime Prices and Trade Board order that a ceiling has been fixed on oranges will materially change this situation.

Unless this is followed by some relaxation in the import ban on fruits and vegetables, the position of the average wholesaler will be a precarious one. Wholesale volume in Toronto today shows 30 per cent decline, as compared with

the same period one year ago, due to import restrictions, and now with the depletion of the domestic supply there will be another 30 per cent or more reduction in volume before home-grown supplies again become available.

The Dominion Bureau of Statistics figures show a decrease of more than 50 per cent for the country as a whole in total imports of fresh fruits and vegetables, for December 1947, as compared with December 1946.

Wholesalers have reduced their staffs and cut overhead to the maximum, but are loath to weaken their staffs further by laying off key men who will be needed to handle domestic production.

There has been no desire on the part of the wholesaler to take advantage of the existing situation. It is rather a constant struggle to obtain sufficient profit to cover as much of their fixed overhead as possible.

A very large percentage of Ontario grown vegetables is handled by the members of our organization on a commission basis. There are exceptions to this which are perfectly normal and proper. Certain dealers make a practice of buying some storable commodities in the fall. Over a period of years, no excessive profits result from these operations. Frequently there are losses in such ventures, but mostly the merchandise is handled and sold at only a nominal profit.

Many growers prefer to take the market price in the fall rather than to take the hazards of deterioration, shrinkage, storage costs and price decline. This is a particularly common practice with the growers of celery and onions. The buyer who took the risk last fall benefitted materially as did many growers who held their own products. Following the imposition of import restrictions, prices rose rapidly and the last few cases of celery sold on the Toronto commission market for \$15 per case. This price was entirely attributable to the supply and demand factor.

In the wholesale trade, as in any business, it is the over-all profit that counts, not the profits on certain items and losses on others.

MR. DYDE: Mr. Reynolds, I am putting in front of you a copy of exhibit 5 and there are one or two questions I would like you to answer if you can. I think you have already had a look at that exhibit.

THE WITNESS: I have.

MR. DYDE: Are the wholesalers that are listed there direct importers?

MR. PINARD: Mr. Chairman, could we know just before that, whether they are members of the association?

THE WITNESS: I would be very glad to give that information. Charles S. Simpson Co. is a member, also Kales and Scharf; Dominion Fruit, A. Dunn & Co.; Barrett Bros.

Gamble-Robinson are members of our organization in respect to their Toronto operation only, and not with respect to the rest of their chain.

MR. PINARD: Would you know if the others belonged to any other wholesale association?

THE WITNESS: I think not.

By Mr. Dyde:

Q. Now would you answer the question that I asked, Mr. Reynolds, as to whether you know, in connection with these wholesalers, whether they are direct importers?—A. There are some who are not. Would it be proper for me to answer in that way?

THE VICE-CHAIRMAN: Yes.

By Mr. Dyde:

Q. Can you say which ones are and which ones are not?—A. I would say they are all direct importers with the exception of S. Leone, M. Cutrara, and

Barrett Bros. However, the firm of Everist Bros. frequently buys on our wholesale market. It is a west Toronto wholesale firm but I presume they would be importers on a wholesale quota.

Q. And on what basis do these particular persons that you have indicated obtain their supplies?—A. From the wholesale importers, from the direct importers at a price usually below the price charged by the wholesale importer to a retailer.

Q. I am going to move from exhibit 5, Mr. Reynolds. I think you are familiar with the operation of the Wartime Prices and Trade Board order with reference to oranges. Will you state the wholesalers' maximum mark-up during the period covered by the Wartime Prices and Trade Board order?—A. The wholesalers' maximum ceiling price was the sum of the O.P.A. ceiling in California, plus charges, plus 15 per cent of the ceiling price. If oranges were bought, as they frequently were, below the O.P.A. ceiling, the wholesaler was entitled to sell at the ceiling established as I have outlined. In other words he could make over 15 per cent if he were able to buy at lower than O.P.A. price.

Q. Going back to exhibit 5, Mr. Reynolds, and referring to the column which is headed "approximate laid-in cost", have you any comment to make on the average cost of oranges sold by the Toronto importers for instance?—A. For the most part I think the prices are practically correct. I do not know what Everist Bros. cost was on February 3, but according to our records that cost should have been \$4.85 instead of \$4.55. A little further down there is one, if you refer to the item of February 6 sold by Dominion Fruit to Gus Fruit Market, Florida oranges, No. 216. The cost is shown at \$3.40 and I have evidence to show that the cost of those particular oranges was \$4.75.

Mr. HARKNESS: How much?

The WITNESS: \$4.75.

By Mr. Dyde:

Q. When you say you have evidence, have you something in the way of a document?—A. Yes, I have.

Q. Well, the information on which you are basing your statement is a statement received by you from someone else?—A. That is right.

Q. And you have been informed that it is correct? Is it not a fact that you have been informed the price is \$4.75?—A. Yes.

Mr. FLEMING: Is that on the same 5 cases?

The WITNESS: The identical oranges.

Mr. FLEMING: The identical 5 cases or oranges of the same size and quality?

The WITNESS: The oranges that were sold are part of a shipment.

Mr. JOHNSTON: A shipment including the 5 cases?

The WITNESS: Yes.

Mr. IRVINE: That is hearsay evidence is it?

The WITNESS: I beg pardon?

Mr. MAYHEW: Is there an invoice attached?

The WITNESS: I do not see an invoice for the purchase but you see here an invoice of the sale. No, here is the sale of those oranges at \$6.25 instead of \$6. That is February 13 however; it is not the item that is listed there. On February 7 this fruit was purchased, a truckload of 467 cases, at a price of \$4.75 per case delivered Toronto.

Mr. CLEAVER: Was he a direct importer or did he buy from an importer?

The WITNESS: He bought from a trucker who had trucked them from Florida direct.

The VICE-CHAIRMAN: Just before you go further, there is a question I want to ask, if Mr. Dyde has completed his questioning on the subject?

Mr. DYDE: I have, yes.

The VICE-CHAIRMAN: The question I have in mind is this. You have given information, or hearsay evidence as it was called when the former witness was here, but you did not disclose, I believe, the source of your information?

The WITNESS: It was from the Dominion Fruit Co.

The VICE-CHAIRMAN: The Dominion Fruit Co. That company is a member of your association, and it gave you the information you have just given this committee?

The WITNESS: That is correct.

The VICE-CHAIRMAN: You are giving it now not only on your information but you also believe it to be true?

The WITNESS: Yes.

Mr. IRVINE: Has the name been given?

The VICE-CHAIRMAN: Yes, the source of his information has now been given.

Mr. MACINNIS: Is the information signed?

The VICE-CHAIRMAN: That information was given to you in writing?

The WITNESS: Yes.

The VICE-CHAIRMAN: The document itself would be the best evidence of that and you would file it would you not, Mr. Dyde?

Mr. DYDE: I would be glad to file it but I thought possibly it might multiply the number of our documents and in the long run we would have to confirm it, but I am in your hands.

The VICE-CHAIRMAN: The witness has given us some information which came to him in a document. Perhaps it ought to be either read into the record or filed with us because after all he could have misconstrued the information which came to him in that document. I only want to guard against any possibility of misconstruction.

Mr. JOHNSTON: Read it into the evidence and that will take care of it.

Mr. DYDE: We might read it into the evidence.

Mr. FLEMING: Whatever action we take, I suggest that it be taken subject to proof.

The VICE-CHAIRMAN: It is only being accepted for whatever worth it may eventually turn out to be, and for whatever worth all hearsay evidence is.

Mr. DYDE: The document is a letter:

"Dominion Fruit Co.,
88 Colborne St., Toronto, Ont.

To Whom It May Concern:

On February 7 we purchased a truckload, 467 cases Florida oranges from M. Bouk, Fonthill, for which we paid \$4.75 per case delivered Toronto. We sold part of the load on February 7 at \$5.75 to \$6 per case and the balance on February 9, 10, 11, at \$5.25 to \$5.50 per case.

-(sgd.) Dominion Fruit Co.
per L. Soupecoff."

The VICE-CHAIRMAN: It does not say.

Mr. MACINNIS: May I ask this? The date of sale according to that document from which Mr. Dyde was reading in February 7. The date of the invoice which was quoted here in exhibit 5, is February 6. There is no February 7 invoice so far as I can see, no invoice dated February 7.

Mr. DYDE: I note that.

Mr. FLEMING: Would you just clarify that? It is not suggested, is it, that the truckload of oranges to which Mr. Reynolds is referring is not included in that list, exhibit 5?

The VICE-CHAIRMAN: I think you did say this was the identical transaction he was dealing with.

Mr. DYDE: Is that right?

The WITNESS: The identical oranges.

By Mr. Fleming:

Q. Do you say they are identical because they happen to be the same size of case and the same quality of orange as referred to in the exhibit? The witness is saying that they are the identical oranges that were referred to in exhibit 5, that they were sold off that truck; is that right?—A. That is my understanding.

Q. At prices different from those quoted in exhibit 5; is that your evidence?—A. That is correct.

Mr. HARKNESS: That is a point that I wanted to bring out.

Mr. FLEMING: I am sure that we do not want to be unfair to the witness. Would you clear this point up through Mr. Dyde, Mr. Chairman; as to whether the information from the Dominion Fruit Company goes the length of saying that there was no such a case of oranges marketed on the date and at the price indicated in exhibit 5?

The WITNESS: No, it does not go that far, it would have to be substantiated by documentary evidence. I am inclined to believe—can we speak in that way?

The VICE-CHAIRMAN: Yes, that is all right.

The WITNESS: I am inclined to believe this; he says on February 7—I think that is the date when he consummated the deal with this truck driver. The cases may have arrived on February 6.

Mr. FLEMING: Oh.

The WITNESS: That, I cannot tell you.

The VICE-CHAIRMAN: At any rate you believe the evidence you have been giving relates to the same item as that referred to in exhibit 5?

The WITNESS: I do, yes.

Mr. CLEAVER: I wonder, in view of the fact that the oranges we are now discussing were brought in by truck—I wonder if the witness could tell us what was the laid-down cost on the 216 size on rail as of that date.

Mr. FLEMING: In carload lots.

The WITNESS: I believe Mr. Jamieson's figures are substantially correct. \$3.40.

Mr. CLEAVER: \$3.40, or \$3.45 would be the carload lot laid-down cost to the wholesaler if he brought in oranges by rail in carload lots?

The WITNESS: Yes.

Mr. JOHNSTON: Would the price paid by the retailer be the same as indicated in exhibit 5, \$5.75 and \$6.00?

The WITNESS: I would think so.

By Mr. Fleming:

Q. Would it be correct to say that that truckload transaction was an isolated shipment?—A. Yes. There are not many.

Q. Is it correct that the great bulk of the fruit coming in arrive in carload lots by rail?—A. Yes.

Mr. DYDE: You have some further comment to make with regard to a later item on exhibit 5?

The WITNESS: In regard particularly to S. Leone and M. Cutrara, they are jobbers; they are not importers. They buy their merchandise direct from the importers, as I have said before, at prices somewhat below the prevailing price to retailers, and then they sell to small retailers, especially retail groceries; not to fruit stores, but to retail grocers.

By Mr. Cleaver:

Q. What would be a fair mark-up to them, Mr. Reynolds?—A. As I said before, the price to them is usually, I would think in a case of this kind—

Q. If you do not know I would rather you would say so than have it go on the record.—A. I do not know. The point I want to bring out is that it is unfair to them, the jobbers, to say that they sold the merchandise at as high as a 49 per cent profit, because I doubt that very much indeed. I think that Mr. Cutrara—

The VICE-CHAIRMAN: Just a minute, Mr. Reynolds. Opinionative evidence specially from one like yourself—I think we could probably classify you as an expert in this field; I imagine you have been in it a long time—opinionative evidence has some value, but we do not want to get too far afield into that sort of thing. Now, I did not want to stop you too soon, but we do think your opinions in a large number of cases would be valuable; it did seem to me, however, that that expression of opinion was hardly proper at the moment.

Mr. MERRITT: I would like to make an observation on that. I do not see how it is improper because we had considerable evidence of an opinionative character when Mr. Jamieson was before us.

The VICE-CHAIRMAN: Yes.

Mr. MERRITT: His statement as to the excessive mark-up, the excessive percentage of selling price, is based on opinion, so I was very interested in Mr. Reynolds answering in that way.

The VICE-CHAIRMAN: Very well. There has been some comment and one of the members I thought considered it rather objectionable and I was inclined to say: don't express that opinion. However, you take the opposite view, so we will let the witness proceed with his answer.

Mr. CLEAVER: Mr. Chairman, I want to be fair to the witness. I asked the witness what the mark-up would be, and his answer was that in his opinion it would be an excessive mark-up.

Mr. JOHNSTON: Is it not true that the witness stated this morning that he was filing invoices to prove these things that are contained in exhibit 5?

The VICE-CHAIRMAN: That does not arise at this point. You are quite right, but that does not arise at this point.

Mr. MACINNIS: Mr. Chairman, might I—

The VICE-CHAIRMAN: Wait just a moment. Mr. Merritt does desire to get that expression of opinion from him and I think Mr. Reynolds would be entitled to state to him, if he has any opinion, and I believe he has because of his long knowledge of this business. I suppose he has a right to ask that question, and in fact that is what he has done. We, therefore, will let the witness proceed to make the statement which I formerly prevented him from making.

The WITNESS: My considered judgment would be that if you sold the oranges for \$7.50 he paid at least \$7.00 for them, the secondary jobber.

By Mr. Cleaver:

Q. And then, carrying that through to its logical conclusion, in your opinion then the wholesaler charged this secondary jobber \$2.45 a case more than it cost him?—A. That would follow.

Q. Yes, that would follow. So he was the man who made the excessive profit, the original wholesaler?—A. And not the secondary jobber. That is what I am getting at.

Mr. MACINNIS: I was just going to point out—

The VICE-CHAIRMAN: Just a moment, Mr. MacInnis; Mr. Fleming had already started questioning.

Mr. FLEMING: No, my question was following up the one Mr. Cleaver had put.

The VICE-CHAIRMAN: I think Mr. MacInnis's did too.

Mr. MACINNIS: Go ahead, Mr. Fleming.

The VICE-CHAIRMAN: All right, Mr. MacInnis yields the floor to you, go ahead.

Mr. FLEMING: He said it was an excessive profit and the witness assented to the statement. I would like you to say whether that assent was to the description of that profit in the terms used by Mr. Cleaver; namely, excessive?

The WITNESS: I think it is improper to refer to it as excessive profit; I would say, on the large part of the profit.

Mr. FLEMING: Did you say proper or improper?

The VICE-CHAIRMAN: The larger part of the profits is the way he would describe it in exchange for the adjective excessive.

Mr. CLEAVER: Does the profit of \$2.45 on \$3.40 constitute an excessive profit on such a transaction?

The WITNESS: I am perfectly willing to leave that to the committee.

The VICE-CHAIRMAN: I am prepared to leave that to the committee. Each member present has the right to form his own opinion.

Mr. CLEAVER: Right.

The VICE-CHAIRMAN: Now, Mr. MacInnis.

Mr. MACINNIS: I do not agree that it is fair to criticize the figures given in exhibit 5, because the former witness was the witness who tabled this exhibit and he did not differentiate as to any of it having been sold through a secondary wholesaler, if I may use that term. The statement shows merely the laid-down cost per case paid by the retailer; and he has included also the approximate laid-in cost in carload lots to the wholesaler including freight, and he has indicated the gross margin in dollar amount and a percentage of selling price; so they have taken that under three headings, the price paid by the retailer, the laid-down cost in carload lots and the differential.

The VICE-CHAIRMAN: Mr. MacInnis, the witness would be asked to comment upon each of these and any member of the committee would certainly be entitled to ask him to comment upon them if he had any information. When it is all finished, one may have to give more weight to one answer than to another or one may feel that some statements made were not properly very fair criticism. That is a question of weighing it afterwards. No question about it, it is in order to make these comments and, at the moment, that is all with which I am concerned. I think we will let Mr. Dyde continue.

Mr. JOHNSTON: I was going to suggest that Mr. Dyde continue to go through the exhibit item by item and get out all the information he can with regard to it. It will save a lot of repetition.

The VICE-CHAIRMAN: Will Mr. Dyde take over?

By Mr. Dyde:

Q. Would you examine exhibit 5, please? As suggested, would you go through that item by item rather than by skipping, and make any such comments as you may care to make. If you have not any comments, just say so

and pass on to the next item.—A. In regard to the third column from the last, "Approximate laid-down cost"?

Q. Yes.

The VICE-CHAIRMAN: In regard to the item, whatever there is in that particular item.

By Mr. Dyde:

Q. The first item is February 6, Gamble and Robinson to Hodge; have you any comment on that?—A. I have no comments whatever to make on the prices charged the retailers because those are substantiated by invoices which I assume to be correct and true. The only comment I have to make on the next column is—

Q. You are still on the same item, item No. 1 at the top?—A. No comment to make.

Q. Now then, item No. 2 is February 3, Everest Bros., Toronto, to Carload Groceries?

Mr. CLEAVER: Are they direct importers?

The WITNESS: Yes.

By Mr. Dyde:

Q. Have you any comment with regard to the column of figures in that item?—A. At that date, I think oranges would have cost \$4.85 instead of \$4.55 for the 220 size.

Q. You are just guessing at that?—A. I think I have some information here which would bear that out. I have an invoice from the California Fruit Growers Exchange covering a shipment of oranges made on the 24th which would arrive in time to be sold on February 3, 220's and the price is \$3.25 f.o.b. The charges are \$1.60.

Mr. LESAGE: F.o.b. California?

The WITNESS: \$3.25 California.

By The Vice-Chairman:

Q. What do you add to the \$3.25?—A. \$1.60.

Mr. WINTERS: To whom were they invoiced?

The WITNESS: Ontario Produce Company Limited.

Mr. JOHNSTON: That is different than the one in the exhibit.

The VICE-CHAIRMAN: He is pointing out he thinks at that time \$4.85 would be an approximation of the laid-in cost in carload lots rather than the figure mentioned, \$4.55. From such information and evidence as he has he thinks \$4.85 would be a better statement of the approximation than the approximation of the last witness. The last witness, you will see, uses that word.

The WITNESS: The next two items are both \$4.55 items. The same remarks do not apply. We may take it those prices are correct. That is on February 7 and February 12.

Mr. JOHNSTON: Those prices are correct as they appear in exhibit 5.

Mr. VICE-CHAIRMAN: He agrees with reference to item No. 3 and item No. 4 that the statement of \$4.55 as an approximation is correct.

By Mr. Cleaver:

Q. Did the California market drop during that period?—A. Yes, directly after that.

By Mr. Dyde:

Q. May I go back one step, Mr. Reynolds? You quoted a figure of \$1.60 a few minutes ago to the committee. Would you please break that down? —A. Freight is \$1.52; bank charges, 2 cents; exchange, 2 cents; customs entry and freight audit, 4 cents. In other words, there is \$1.52 freight and 8 cents charges in addition to that.

Mr. FLEMING: May I interrupt? It is just about 1 o'clock. I should like to make a suggestion. It might expedite the meeting this afternoon if between now and 4 o'clock Mr. Reynolds could prepare a statement in form comparable to exhibit 5. Then we could run down it. It would save us a good deal of time to see the figures at a glance that he says represents whatever corrections he thinks necessary in exhibit 5.

The VICE-CHAIRMAN: It would be useful if some preparation of this sort could be made. I do not know whether or not you could.

Mr. FLEMING: We could follow it that way item by item.

The WITNESS: I have practically no other exceptions to make.

Mr. IRVINE: He is in substantial agreement.

The WITNESS: Substantial agreement.

Mr. FLEMING: Then we do not need to waste more time on it.

Mr. DYDE: Perhaps I might inquire and find out if there is any way in which we can do that before 4 o'clock. If, as he says, he is in substantial agreement then obviously we would gain time by doing it exactly as we are doing it.

Mr. CLEAVER: I would suggest that if there is any disagreement arising out of an exceptional trade transaction such as a truck load coming in it is not helpful to the committee to have the record filled up with that type of exception because they do not disprove anything. Mr. Fleming cleared that up, that most of the Florida oranges were coming in on rail in carloads, and this \$3.40 price is quite correct in regard to that.

The VICE-CHAIRMAN: I think what you say would be quite right if there were any considerable number, but I recall to you there was only one, and that is a question of the weight to be given.

Mr. CLEAVER: I am a little surprised that the witness took up the time of the committee with that.

The VICE-CHAIRMAN: That sort of thing is not known until it takes place.

Mr. MACINNIS: Particularly in view of the fact there is nothing on that date in table 5.

The VICE-CHAIRMAN: The committee will stand adjourned until 4 o'clock.

The committee adjourned at 1 o'clock p.m. to resume again at 4 o'clock p.m.

AFTERNOON SESSION

The committee resumed at 4 o'clock p.m.

The VICE-CHAIRMAN: We will now proceed.

George H. Reynolds, Secretary of the Toronto Wholesale Fruit Produce Merchants Association, recalled.

By Mr. Dyde:

Q. Mr. Reynolds, we were dealing with exhibit 5 when we broke off at 1 o'clock. I was asking you questions with reference to the column on that exhibit which is headed "Approximate laid-in cost." I asked you if you had

any comments to make on any of these items. Have you had an opportunity of going over that since adjournment, and have you any further comments to make, or are those figures correct as they stand?—A. This morning I covered that. The only ones to which I take exception are the second item and the tenth item.

By Mr. Cleaver:

Q. You surely do not say you take exception to the tenth item?—A. I do.

By Mr. Dyde:

Q. In what way? How do you take exception to it?—A. That the oranges in question that were sold to Gus Fruit on the 6th cost \$4.75.

Q. That is only a guess after all, is it not?—A. It can be substantiated.

Q. I know, but at the present minute it is only a guess; is that not correct?

—A. I have no documents with me to prove my statement.

Q. Well, your reason for it is something which cannot be related actually to those oranges; is that not so, to those specific oranges?—A. No, it can be related specifically to them.

Q. All right, you explain how.—A. Because Dominion Fruit Company had no other Florida oranges.

Q. That is a reason for your stating that figure should be \$4.75. That is your reason for so stating?—A. True.

Q. Is there any other item in that column on exhibit 5 to which you take exception?—A. I take exception to applying the approximate laid-in cost in carload lots to wholesalers when it refers to the purchases and sales of secondary jobbers, because I think a wrong conclusion is drawn there.

Q. What you are now saying refers to those items in which the name of the wholesaler is Leone and Cutrara?—A. Correct, and Barrett Brothers.

Q. Any other exceptions?

By the Vice-Chairman:

Q. May I get that? Those firms whom you have mentioned are not direct importers, and therefore to speak of the laid-down cost to a direct importer is not speaking of the cost to those particular firms; is that the point?—A. Correct.

By Mr. Dyde:

Q. Is there any other comment you wish to make on exhibit 5?—A. Yes. Toronto has been very short of oranges. The quota which the importers have is insufficient to supply the demand. There have been oranges bought by Toronto wholesalers in carload lots from out-of-town importers at substantial profits to the original importer in order that Toronto wholesalers might have a more adequate supply of oranges for their trade.

Q. When you speak of "quota" in your answer just now would you mind saying what you mean by that?—A. The quota is based on the imports in the period July 1, 1946, through June 30, 1947, of all citrus fruits, onions, potatoes and apples.

Q. Who fixed that quota?—A. The government has allotted 50 per cent of the dollar volume of each importer's imports to cover him for the year from November 17. I think it is for a little longer than a year because the first quota was 36 per cent from November 17 through the end of March, which is longer than a quarter. The next quota is on the quarterly basis, 25 per cent. I believe it will be 111 per cent for a little over 13 months. It will be 111 per cent of their 50 per cent.

By Mr. Cleaver:

Q. Do you suggest that the quota of importers in some localities other than Toronto is in excess of their needs and that those importers are reselling to Toronto wholesalers?—A. Yes, sir.

Q. In what parts of the country are import quotas in excess of their needs?
—A. I have an invoice here issued by Edwards Supply Company of Sudbury for a carload of oranges at \$1.50 profit to a Toronto wholesaler, \$1.50 a box profit.

By Mr. Lesage:

Q. What was the price?—A. The invoice is made in that way. It shows the car number, 561 cases of oranges at \$1.50 profit, \$841.50.

By Mr. Cleaver:

Q. Can you tell the committee what percentage of the total volume of orange business is involved in this dealing between wholesalers, that is, Toronto wholesalers bringing in surpluses from other points? What percentage would that be of the total Toronto volume?—A. I have no figures.

Q. Is it a large percentage or a trifling amount?—A. I would not call it a trifling amount but in terms of percentage I cannot give you—

Mr. HOMUTH: Might that not be rather difficult to get at because after all you also import canned fruits, vegetables.

The VICE-CHAIRMAN: It is admitted it must be difficult to get at so far as this witness is concerned. He apparently cannot give the answer.

Mr. CLEAVER: Toronto being such a large centre as compared with Sudbury and these other smaller places I cannot believe that the percentage volume would be at all large of the total Toronto business that they would be able to borrow from others.

By Mr. Beaudry:

Q. Would the witness repeat the details of that invoice? I could not catch them.—A. The transaction is covered by two invoices, one showing the laid-down cost by sizes of the various oranges in the car. The other is the one I read previously, 561 cases of oranges at \$1.50 profit.

Q. What was the amount of the invoice, the total?—A. The f.o.b. value of the car was \$1,726.80.

By the Vice-Chairman:

Q. What does f.o.b. mean, Sudbury?—A. Freight on board cars in California.

Q. And the cost in Sudbury has nothing to do with the case? Am I right?
—A. You are right. It has nothing to do with the case because the car never went to Sudbury.

Q. This is a transaction while the goods are in transit?—A. Correct.

By Mr. Beaudry:

Q. What was the total amount of the invoice to the purchaser?

The VICE-CHAIRMAN: The first purchaser, the importer.

By Mr. Beaudry:

Q. Did I not understand you to say an invoice had been made to the eventual purchaser at so much plus \$1.50 profit per case?—A. Yes.

Q. What is the total of the invoice?—A. It would be the total of the two invoices, the way they are here.

The VICE-CHAIRMAN: The transaction is covered by two invoices, one to the original importer which he remits to his buyer saying, "Give me this amount of money plus \$1.50."

Mr. BEAUDRY: I am trying to find out what it would be.

The VICE-CHAIRMAN: It may not have been totalled.

The WITNESS: \$2,568.30 plus freight.

By Mr. Beaudry:

Q. How much?—A. \$2,568.30 plus freight charges and incidental charges.

Mr. LESAGE: Can you tell us what the freight charges are on the carload?

Mr. HOMUTH: \$1.60 he said this morning.

The WITNESS: It is \$851.64. That is the total.

By Mr. Beaudry:

Q. Have you any such figure for incidental expenses?

Mr. HOMUTH: Perhaps you might clear it up by the figures Mr. Reynolds gave this morning where he gave the total as \$1.60 per case coming in, \$1.52 for freight plus certain exigencies which came in there, and it made a total of \$1.60.

By the Vice-Chairman:

Q. At any rate, Mr. Reynolds, is this correct, that in regard to this transaction all that the importer did was to turn over whatever kind of paper he had to the man purchasing from him, and whatever had to be paid out as a result of that transaction that man paid out?—A. Yes.

Q. And in addition thereto was required to give a cheque for \$1.50 for each case?—A. No.

Q. Is that not the nature of it?—A. Not quite because the original importer had to pay the California Fruit Growers Exchange for the oranges, had to complete the entry at the customs.

Q. All other expenses as required by whatever paper, whatever documentation there was, would be turned over, but the payment to the seller was made by the original importer, and therefore he had to be reimbursed for that?—A. Correct.

By Mr. Lesage:

Q. After all these calculations can you tell us what was the laid-in cost in Toronto to the original importer of the carload?—A. The second buyer?

Q. No, the first buyer. Then we will add \$1.50 per case for the second buyer and we will have the answer.—A. 150 size to 200 size; that would include 150s, 176s, and 200s. They are different sizes.

Q. I understand that, but I was asking for the whole carload?—A. Oh, I beg your pardon.

Q. Taking into account the fact they are different sizes I am asking for the whole carload.

Mr. BEAUDRY: Pardon me if I interject. Perhaps the witness might put on the record the various stages of figuring by which he arrives at his eventual figure. I think that would be a help to all of us. Let him start from the f.o.b. price. The f.o.b. price was quoted as \$1,726.80.

By Mr. Homuth:

Q. Let us get it right. Is it f.o.b. California or f.o.b. Toronto?—A. California.

Q. Let us get that clear.

By Mr. Dyde:

Q. To that \$1,726.80 f.o.b. California you add what for freight?—A. \$851.64.

Q. Making a total of— —A. \$2,578.44.

By Mr. Lesage:

Q. What would be the incidental charges?—A. Those were assumed in the \$1.50.

Q. They were. Then there was a profit of \$1.50 on the 561 cases?—A. Right, \$841.50.

Q. Did you work out what the percentage of profit was to the first wholesaler, pardon me, to the importer?—A. No. I have not.

Mr. BEAUDRY: It would run about 22 per cent of the selling price.

By Mr. Lesage:

Q. Would he get a 22 per cent profit just for giving the order and taking care of the customs and other such things?—A. That is on account of the conditions of short supply and demand, yes.

Q. That is what happened?—A. That is what happened.

Q. He acquired the 22 per cent profit just for that?—A. That is right. I have other similar cases.

Q. In other words, he set a value on his quota and sold his quota at something having a commercial value?—A. He sold the merchandise.

The VICE-CHAIRMAN: That is a conclusion to be arrived at from a certain number of statements of fact; it is a factual inference. You only want to know whether the witness agrees with that inference which you have drawn?

By Mr. Lesage:

Q. I made that statement in the indirect form. I should like to know if the witness agrees with me.

By the Vice-Chairman:

Q. In effect, Mr. Lesage is saying does that not mean he was selling a quota or part of a quota? Would you say that is a reasonable way of describing the transaction?—A. He imported a car and took all the transit risks. He sold the merchandise rather than any quota. He took ownership of the merchandise at one stage of the proceedings.

Mr. LESAGE: Thank you for your answer. I would ask that these two invoices be filed as exhibits.

Mr. HOMUTH: Now, Mr. Chairman, I do not think the evidence which Mr. Lesage brought out from the witness is really the true evidence.

The VICE-CHAIRMAN: Very well.

Mr. HOMUTH: May I say this, I am not criticizing him; he is getting the facts as he sees them. Here, you take one car out of a year's business—

The VICE-CHAIRMAN: Well, Mr. Homuth, just wait a moment until I interject a statement. You are undertaking now to assess the evidence or its value, perhaps, in contra-distinction to the assessment of its value which Mr. Lesage would make. Now, that is not appropriate at this stage.

Mr. HOMUTH: No.

The VICE-CHAIRMAN: Do you want to ask a question or to argue?

Mr. HOMUTH: You do not understand my meaning.

The VICE-CHAIRMAN: Perhaps I do not.

Mr. HOMUTH: Mr. Lesage has asked a question relative to one car of merchandise. Everyone in business, Mr. Chairman, knows you may have one car on which you make a profit and a dozen cars on which you do not. Here, we have not taken into account a figure—I think Mr. Lesage will agree with me—pertaining to overhead, selling costs, buildings and such thing which go into the cost of doing business. The result is, Mr. Chairman, that while we are saying this is what you bought it for and you sold the contract for so much, at the same time, it is just part of the year's business. You must take into consideration the selling costs, overhead and everything else.

Until such time as we can secure those figures as to the cost of warehousing, overhead and so on, we cannot get any true picture of the whole story. I think that is basically sound. I should like to say that if we could get from the wit-

ness the evidence as to the cost of overhead, the cost per dollar value of what is turned out, we could get a true picture of the whole story. Until that is done, we cannot get the true picture.

The VICE-CHAIRMAN: Patiently I have waited until you concluded. I make this comment. All you have said is in the nature of argument and, probably it is argument with which no person will disagree. However, it is only argument in the way of assessing the value of the evidence something which should not be done at this time.

With respect to the questions to which you say it is necessary to obtain answers, if you had been merely asking those questions, you would have been completely in order. You did not need to make such a lengthy introduction to your question.

Mr. HOMUTH: I am sorry if I made a speech.

The VICE-CHAIRMAN: If you do not mind, try to hold to the questioning.

Mr. HOMUTH: I think the members of the committee will agree with me.

Mr. BEAUDRY: I had started a line of questioning, Mr. Chairman, may I complete it?

The VICE-CHAIRMAN: I do not know whether Mr. Fleming had started or not?

Mr. BEAUDRY: I had started, too.

Mr. HOMUTH: There are a lot of starters and very few finishers.

The VICE-CHAIRMAN: Sometimes they do not finish because they are interrupted, Mr. Homuth.

By Mr. Beaudry:

Q. May I ask, Mr. Reynolds, what element of risk might be involved in the amount of profit asked, \$1.50 per case? To be more explicit, I will divide that question and ask you, Mr. Reynolds, if the risk in transit on this particular transaction was the responsibility of the purchaser, the wholesaler, or was it the responsibility of the person who eventually acquired these goods?—A. In this case, it was the responsibility of the importer, the original importer.

Q. Was it the importer's responsibility also in the case of failure by the eventual purchaser to effect payment?—A. Yes.

Q. In other words, those would be true risks which, to a certain extent, would be involved in the arrival at a profit figure of \$1.50 per case?—A. Correct.

By Mr. Lesage:

Q. Is there any insurance on those goods, usually?—A. No.

Q. If there is any claim for spoilage in transit, I understand that, by law it can be claimed from the United States exporter?—A. If there is any damage or deterioration, damage in transit through the negligence of the carrier, that claim can be collected from the carrier.

By Mr. Fleming:

Q. Mr. Reynolds, is it not a fact, we will say within the last three or four months, there have been substantial increases in the prices of raw fruits?—A. No.

Q. I do not say all of them?—A. No.

Q. What about oranges now?—A. I think the exhibits we have already show the tendency. I think the tendency has been downwards on citrus fruits.

Q. Then, what would be the effect of the reduction in incoming supplies of fruit which dated from November 17?—A. In what way?

Q. On price.—A. It seems to me that is a problematical question. Since this has occurred, we cannot tell what might have occurred had there been no restrictions.

Q. Then, may I direct your attention to one of the paragraphs in your statement this morning and ask you if you would elaborate upon it. In the middle of page 2 of the mimeographed copy you say,

Citrus fruits have been showing substantial profits due to strong demand and limited supply resulting from the quota system.

Is it not a fact, then, that the limited supply resulting from the quota system, or I might say the reduced supply resulting from the quota system, has been a factor in price and profit?—A. I think that would follow.

Q. What has been the effect of it, then?—A. The inference must be, if it had not been for the restrictions and if the prices had remained the same in California, that oranges would have sold at lower prices. Now, there are several "ifs" in that answer, but they must be there because if we had had a wide open market here, it is possible the California market would not have been as low as it has been.

By the Vice-Chairman:

Q. That is to say, that supply being short, and all other things remaining equal, the tendency would be for prices to rise?—A. Yes.

The VICE-CHAIRMAN: I do not think anybody would dispute that.

Mr. MACINNIS: Another point, if you do not mind; the supply was short here which tended to raise the price. Supply was plentiful at the source in California which tended to lower the price. I understood when the quota was put on the dollar value, the Minister of Finance—this is merely an impression—stated that the quantity would be considerably increased over the same amount of the quota last year because of the lower prices in California.

The VICE-CHAIRMAN: I was only stating that other things being equal, and one thing occurring, other things would follow. I thought I was interpreting Mr. Fleming's question.

By Mr. Fleming:

Q. I should like to direct your attention to the next paragraph in your statement. You say,

Unless this is followed by some relaxation in the import ban on fruits and vegetables, the position of the average wholesaler will be a precarious one.

I take it, to what you are referring there is, you will have to operate on a reduced volume whereas the ceiling is now fixed; is that what you mean?—A. That is exactly what I mean.

Q.

Wholesale volume in Toronto today shows 30 per cent decline, as compared with the same period one year ago, due to import restrictions and now with the depletion of domestic supply there will be another 30 per cent or more reduction in volume before home grown supplies again become available.

Do I correctly interpret what you are saying there in this way, that the effect of the import restrictions of November 17 was to create an immediate reduction in supply? That reduction did not show itself fully because of the extent to which home supplies were drawn upon, but now, with the prospect of home supplies being used up, we face a further reduction of another 30 per cent in turn-over; that is the wholesale turn-over in fruits and vegetables?—A. That is correct.

Q. That turn-over, do I understand, is the result of decreased supply following the import restrictions?—A. Correct.

Q. I think you indicated a moment ago that the effect of the restrictions on imports to date has been to increase the percentage of profit. With a further reduction in turn-over, another 30 per cent, which you contemplate here, what is likely in your estimation to be the effect on general prices and profits on fruits and vegetables?—A. Would you just repeat the last part of the question?

Q. You have given us an indication so far of what has been the effect on profits and prices of the 30 per cent reduction in volume thus far. You contemplate another 30 per cent reduction is going to follow for reasons indicated. Now what is likely to be the effect of that further 30 per cent reduction on prices and profits?—A. It will not have any effect on prices that are under control.

Q. As long as they are under control?—A. Items not under control in many cases are selling below the cost of the merchandise as I have pointed out. The effect will be a greatly reduced gross profit.

The VICE-CHAIRMAN: Gross profit?

By Mr. Fleming:

Q. Because your turnover is small.—A. With the result that net profits will entirely disappear in my opinion.

Q. Well, what will happen to the dealers?—A. It depends upon their reserves, I would think, and upon their attitude toward the future, and toward the length or duration of the restrictions.

Q. Do I understand your view to be this? Given a continuation of these import restrictions if there were no price ceiling we could look for a further rise in prices of fruits and vegetables?

Mr. CLEAVER: Apples have not gone up.

Mr. FLEMING: Well, just a moment—

The VICE-CHAIRMAN: Yes, just a moment Mr. Cleaver.

The WITNESS: There are so many different factors entering into it.

By Mr. Fleming:

Q. I am speaking of the general trend.—A. Take our cabbage, for instance, that we are importing now. It is showing a loss. They are selling it below the laid-down cost. We are selling B.C. apples below the laid-down cost. There is no ceiling on them. Cabbage has a ceiling but it does not operate because we have sufficient supplies. Potatoes, to a great extent are selling at a loss. Citrus fruit was the one hope we had that we could continue in business until the homegrown supplies came in to augment our sales, keep us in business, and carry us through the summer even though we did not have the imported fruits which we usually have in May, June, July, and August. Even though we did not have those, we would have the domestic supplies which, to a great extent, are handled on commission, to augment our gross profit. Do I make myself clear on that?

Q. Yes, quite. I appreciate that it may be difficult to isolate certain things because of the variety of factors involved, but take the other side of the question. Assume the continuation of export restrictions and price control with respect to citrus fruits, what do you assume is likely to happen to the market with respect to those other commodities that are being sold at a loss?—A. I do not think it would have any bearing on them.

Q. Do you think the dealers would go on—

Mr. BEAUDRY: I do not think it is in order.

The VICE-CHAIRMAN: The question is quite in order.

Mr. BEAUDRY: Is this within the scope of the committee's terms of reference?

The VICE-CHAIRMAN: Yes.

Mr. BEAUDRY: I thought we were discussing recent prices, not a possible rise in prices.

The VICE-CHAIRMAN: I think it is covered well enough by the other part of the reference.

Mr. FLEMING: Everything I have said—

The VICE-CHAIRMAN: Do not get into a cross-fire of argument, continue the questioning. After all, sometimes there will be misunderstandings.

The WITNESS: What was the question?

The VICE-CHAIRMAN: Would you read the question?

(Reporter reads question)

Q. Yes, quite. I appreciate that it may be difficult to isolate certain things because of the variety of factors involved, but take the other side of the question. Assume the continuation of expert restrictions and price control with respect to citrus fruits, what do you assume is likely to happen to the market with respect to those other commodities that are being sold at a loss?—A. I do not think it would have any bearing on them.

By Mr. Fleming:

Q. Yes, and then I asked if you thought the dealers would continue to sell them at a loss?—A. Supply and demand will regulate the market on all commodities including those under restrictions. If there are more than enough apples, apples will sell below the cost, the laid-in cost. If there are not enough oranges they will sell at profit.

Q. Just in a word, and trying to interpret what you have said—

The VICE-CHAIRMAN: I will agree that is a helpful suggestion.

Mr. MACINNIS: Not helpful just hopeful.

The VICE-CHAIRMAN: I mispronounce words sometimes.

Mr. FLEMING: Mr. Reynolds, I take it the import restrictions in reducing supply have had the effect, within the play of the laws of supply and demand; they have reduced the supply. The ultimate consumer has been willing to pay more for citrus fruits in order to get them.

Mr. BEAUDRY: That is an assumed thing.

Mr. FLEMING: The witness may comment on it.

The VICE-CHAIRMAN: You are making it a question despite the fact that it is in the form of a statement.

Mr. FLEMING: I am inviting comment on it.

The WITNESS: I will answer the question in this way. The consumer has shown a willingness to pay more than would have been necessary for her to pay if it had not been for the restrictions, but the prices she has been paying have not been exorbitant at retail. The prices have not been exorbitant at retail. You have heard from the consumer very, very, little complaint about the price of citrus fruits. You have heard terrific complaint about the lack of green vegetables.

The VICE-CHAIRMAN: May I break in for a moment. It is necessary for me to make a couple of telephone calls connected with our work here and I must make them before 5 o'clock. I wonder if Mr. Lesage would occupy the chair until I get back.

Mr. HOMUTH: I think that is just going to start something.

(Mr. Lesage assumes the chair as acting chairman.)

The ACTING CHAIRMAN: No, I do not think so. All right, Mr. Fleming.

By Mr. Fleming:

Q. These questions and answers have dealt largely with citrus fruits and I would like to take up now your last answer with respect to vegetables. Do you draw any distinction with respect to vegetables in relation to these factors we have been discussing, like reduced supply dating from November 17th and its effect on increasing prices and rates of profit?—A. There have been decided advances in the market for Ontario grown or domestic vegetables, decidedly. In some cases there have been profits made by dealers; in some cases the growers have profited, or whoever held their own produce and marketed it as the season advanced.

Q. It would depend on who was holding it on November 17th?—A. It would depend on who assumed the risk and at what time they assumed the risk.

Q. Now that advance, and I suppose it is fair to call it a sharp advance in prices of vegetables, has that dated from November 17?—A. It steadily advanced from November 18 on, as applied to cabbage, celery, carrots and onions. More particularly recently it is onions but the others have been very steadily advancing. I have evidence which I can submit on that of sales on the commission market if you wish them.

Mr. BEAUDRY: Do I understand—

The ACTING CHAIRMAN: Just a moment Mr. Beaudry.

Mr. FLEMING: Can you supply that information?

The WITNESS: Yes.

The ACTING CHAIRMAN: Would you show it to counsel?

The WITNESS: Yes, these are the commission sheets.

Mr. LESAGE: Do I understand these were bought directly from the producer?

The WITNESS: They were not bought, they were handled on commission. Yes, W. C. Brillinger, Stouffville, Ontario, is a grower. Here is a case of 75 bags of cabbage, \$1.35 less commission, and that is the net that goes to the grower.

Mr. DYDE: And that is what date?

The WITNESS: November 11. Here is a record of 50 cases of hard cabbage from Joe Pallett, No. 1, Port Credit, Ont., November 19; \$1.50 for 20 of them, and \$1.40 for 30, less commission. Here is another one from Brillinger on November 20. You will see a difference. 118 sacks of cabbage at \$2.

Mr. FLEMING: That was a jump of 30 per cent.

Mr. PINARD: If I may interject about this sudden rise, do you think it is due to speculation, because the stock was already on hand?

The WITNESS: This was in the growers hands and drawn in to the commission market. These are all commission transactions.

Mr. FLEMING: Just to relate these two figures. The last price you gave before November 17 was \$1.40 a bag and the first price after November 17 is \$2 a bag.

The WITNESS: On November 11 it was \$1.35. On November 19 it was \$1.50 and \$1.40. On November 20 it was \$2. On November 24 it was \$2.50.

Mr. IRVINE: Going up?

The WITNESS: I beg pardon?

Mr. IRVINE: Going up?

The WITNESS: And there was a little at \$2.75. On December 22, from a different shipper, 55 at \$3.50 and 5 at \$3.25.

Mr. PINARD: Always from the same grower?

The WITNESS: These others are all the same grower. There is a different one from Norval, Ont.

• Mr. HOMUTH: All from the grower?

The WITNESS: The second one I listed was not from Brillinger, it was from Pallett at Port Credit, and then Phillips from Norval. There is also a supply of apples, that does not enter into it. Here is one on January 5, Savoy cabbage at \$3; hard cabbage at \$4.50; January 9, \$5, \$4.50, \$4.75, and some sold at \$5. That is at another price. There was undoubtedly a difference in quality. January 14, \$4.25 and \$4.50; January 22, \$4.25 to \$4.50.

The ACTING CHAIRMAN: You produced that as an exhibit?

Mr. DYDE: I think we should produce this group of invoices together as Exhibit No. 8.

EXHIBIT No. 8: Invoice prices on cabbage.

By Mr. Fleming:

Q. Mr. Reynolds, in case it might be said that there is no normal seasonal movement in price at this season of the year in cabbage would you make any comment as to normal seasonal trend in the price of cabbage in the months of November, December and January?—A. It is difficult to do that, as we have to consider that normally in the month of January imports are arriving.

Q. And what is their normal effect on the market price? Cabbage for the table is usually the imported variety and the rest, the hard cabbage, from the domestic grown, goes to the restaurants and so forth, the processors and so on. I would like to interject something here. I would like to say that many times these same growers have held cabbage into January and have turned it out at a loss because they had no sale for it. I would like to interject that. I would like you not to think that the grower is a profiteer. He is entitled to what the market affords. He did not create this situation, but the situation was particularly difficult for him this year because he had a terrible time in the spring in planting. He planted and then he had to replant, and his yield was low in many cases.

Mr. HOMUTH: What do you get from that? The grower is just human and takes advantage of the situation.

The ACTING CHAIRMAN: Would you mind putting a question instead of making a statement, Mr. Homuth.

Mr. HOMUTH: Would you say he is not just a normal person taking advantage of a situation that was created?

The WITNESS: I would.

By Mr. Fleming:

Q. Let us pass for a moment from the producer. Have you any figures on the volume of cabbage in storage that came out of the producer's hands in the fall, was sold by him?—A. No, I have no figures. But I would think he would carry very small on cabbage. Cabbage is usually kept at the producer's farm in his own possession until he sells it or disposes of it on the commission market.

Q. What about the other vegetables you have mentioned?—A. It varies. Onions are frequently bought. The producer is quite happy to pass the hazards over to someone else in the fall and to accept cash for his merchandise. Others hold on to their merchandise tight to the market as it goes along.

Q. Have you any figures at all on that?—A. No. I do not believe there are any figures available for the proportions that are handled in the various ways; but I know that in cabbage there is very little buying done.

Q. Now, have you figures for the other vegetables comparable with those which you have just given to the committee with regard to the increase in the price of cabbage November 17?—A. I have. We can take carrots. During that period, starting with October 28, unwashed carrots, per bushel, \$1.00; November

11, \$1.15; November 14, \$1.15; and \$1.25 and a few at \$1.50. I think it is only right to say here that the grading of carrots varies a great deal. If you have 50 hampers from one grower one day there would be a spread in the price from \$1.15 to \$1.50.

Mr. JOHNSTON: Would that be because of the size?

The WITNESS: It does not specify size, but it might be for grade. It might be that they were washed or unwashed.

The ACTING CHAIRMAN: The result is the difference between washed carrots and unwashed carrots?

The WITNESS: Yes, but carrots are usually washed by the receiver.

Mr. HOMUTH: Did you say by the receiver?

The WITNESS: Usually.

Mr. HOMUTH: That is the wholesaler?

The WITNESS: That is right. On November 19, \$1.50; November 22, \$1.75 to \$2.00; November 25, \$2.00 to \$2.50; December 18, \$2.00 to \$2.25; January 5, \$2.50 to \$2.75; January 7, \$2.25; January 30, \$2.60—\$2.75—\$3.15; February 12, \$3.00; February 12, \$3.00; February 12, \$3.25.

Mr. DYDE: We will enter this as Exhibit 9.

EXHIBIT No. 9: statement of prices for carrots.

Mr. CLEAVER: For the purposes of our record I think we should have the market price on carrots immediately following; this witness doubtless can give them. Has not the same trend been experienced in the United States?

The WITNESS: Definitely, only more so.

Mr. CLEAVER: Only more so; so the exchange restrictions had nothing at all to do with regard to the rise in prices?

Mr. HOMUTH: I would not say they did not.

Mr. CLEAVER: You don't like it, Mr. Homuth.

The ACTING-CHAIRMAN: Just a moment please; Mr. Cleaver is asking a question of the witness.

Mr. HOMUTH: No, he made a statement.

The ACTING CHAIRMAN: No, he asked a question.

Mr. CLEAVER: And the witness answered it and my friend Mr. Homuth did not like the answer he gave and he started a row.

The ACTING-CHAIRMAN: Please, Mr. Cleaver; what was the answer?

The WITNESS: The answer was that the market in the United States in both California and Texas as well as in New York State which is more comparable to Ontario the market has been very strong.

Mr. CLEAVER: I thought your answer was, "a corresponding increase but more so."

By Mr. Homuth:

Q. Then, Mr. Reynolds, may I ask this question; had these restrictive measures not been put on you would not have been able to import American carrots; are you prepared to say that?—A. I do not know what would have happened.

Q. You do not know?—A. No.

Mr. HOMUTH: Neither does Mr. Cleaver.

Mr. MacINNIS: Mr. Chairman, I want to draw attention to that last bit of evidence.

The ACTING CHAIRMAN: Is it on this point.

Mr. MacINNIS: On this point, yes; he just made a statement. Unless that statement is substantiated by evidence similar to what he put out in regard to the price of Canadian carrots it surely is not for the record.

The ACTING-CHAIRMAN: The witness said that he had no evidence in hand but he said that he was aware of the facts and I think that the witness being in the wholesale trade and having a lot of experience, we can take his word for it.

Mr. MacINNIS: I do not think we should take his word.

The ACTING CHAIRMAN: I think Mr. Fleming has some other questions for other vegetables.

Mr. FLEMING: I just wanted to carry this thing through.

The ACTING CHAIRMAN: Yes.

Mr. FLEMING: That is the information you have on carrots?

Mr. JOHNSTON: Before you leave carrots—

Mr. FLEMING: I have not left them yet.

Mr. MacINNIS: He is still on carrots.

The ACTING CHAIRMAN: I think we should permit Mr. Fleming to resume his questioning. I do not think he has very much more; he told me he did not.

Mr. JOHNSTON: And we can come back to carrots?

The ACTING CHAIRMAN: Yes.

By Mr. Fleming:

Q. I understand in the cases you have given to us what you have given is the price charged by the purchaser. Were these sales to purchasers, are they the same as the figures which you have been giving to us with regard to cabbage?

—A. For cabbage and carrots it is identical. I have given you the sales made by the commission merchant to the retailer or the jobber or to the restaurant or to whom he may be selling.

The ACTING CHAIRMAN: And it includes the price to the grower plus his commission?

The WITNESS: These are the prices charged. The commission is deducted from the returns to the grower.

The ACTING CHAIRMAN: That is it.

By Mr. Fleming:

Q. Sales on behalf of the producer?—A. Yes.

Q. All right. Then we have a comparable basis to cabbage costs?—

A. Identical.

Q. You have given us cabbages and carrots, what about celery?—A. I have celery. November 8, 96 cases at \$1.50, 32 cases at \$1.75 and 2 cases at \$2.25; November 10, 20 cases at \$2.50, 2 cases at \$3.00, 24 cases at \$2.75.

Mr. CLEAVER: That was November 10?

The WITNESS: That was November 10. November 20, 16 cases at \$3.50, 4 cases at \$3.75. December 13, \$4.50, \$4.75 and \$5. December 22, \$3.25, \$4.50 and \$4, \$2.50 and \$3.50. That is due, the variation in price there is due to condition and quality of merchandise. December 27, \$3.25, \$3.50, \$3, \$4. I have here the invoices governing purchases of a carload of celery on January 8.

By Mr. Fleming:

Q. Excuse me, is that comparable with the sales you have just given us?—

A. These are comparable right up to that.

Q. Up to that point, now, you are giving us—

The ACTING CHAIRMAN: Just a moment, Mr. Fleming.

Mr. DYDE: This group of celery invoices is comparable to the two groups which you have just produced with regard to cabbage and carrots?

The WITNESS: Yes.

Mr. DYDE: We will enter that as Exhibit 10.

EXHIBIT No. 10: invoice prices on celery.

Mr. FLEMING: Mr. Reynolds have you any other invoices in the same comparable group later, other than this one on the carload lot which would not be of much help to us for purposes of comparison?

The WITNESS: This is a market report. It is not the same type of document as these others which are extract transactions. It does show the advancing prices in celery as the year goes along.

Mr. PINARD: What is the nature of the document?

The WITNESS: It is a series of market reports dated a week apart.

Mr. FLEMING: Covering what period?

The WITNESS: Some as recent as January 23—it shows celery at \$8 to \$10.

The ACTING CHAIRMAN: What is the oldest?

The WITNESS: The oldest is December 5 which shows celery at \$2 to \$4. There is nothing earlier than that in the letters.

Mr. CLEAVER: Now, Mr. Chairman, in order that members of the committee may know, would the witness indicate as to spoilage? Celery held long in storage has a very heavy spoilage and I think witness could give us some evidence on that.

By the Acting Chairman:

Q. Is that correct, Mr. Reynolds?—A. Definitely it is correct. When it comes along after the turn of the year the shrinkage on celery and the deterioration is apt to be very pronounced.

By Mr. Homuth:

Q. That is local celery?—A. That is Ontario celery, yes, celery grown last fall.

By Mr. Fleming:

Q. You have given us the invoices you have, Mr. Reynolds, for cabbages, carrots and celery. Have you any of the other staple vegetables?—A. No, I have not.

Q. You have not onions?—A. No, I have nothing on onions. Onions are more a matter of buying and selling than they are of commission. I pointed that out in my statement this morning. I have here, however, a sales invoice covering one carload of celery made on January 8 at a price of \$9 f.o.b. Bradford, Ontario, by a shipper.

By the Acting Chairman:

Q. Was it from a producer to a wholesaler?—A. It is a shipper who is also a grower. Whether or not it was merchandise of his own growing we do not know.

Mr. HOMUTH: The Holland Marshes.

Mr. DYDE: Exhibit 11.

Exhibit No. 11: Invoice re celery dated January 8, 1948.

The WITNESS: I have also an invoice from the same people on February 11 covering 200 bushels of unwashed carrots at \$2.95 f.o.b. Bradford.

Mr. DYDE: Exhibit 12.

Exhibit No. 12: Invoice re carrots dated February 11, 1948.

By Mr. Fleming:

Q. Can you tell us with respect to carrots and celery what general proportion on November 17 might represent warehoused carrots and celery and what proportion was in the hands of the producers on November 17?—A. It was all warehoused. All celery had to be in cold storage either for the account of the grower or the account of some merchant.

Q. I appreciate it had to be warehoused, but your wholesale association has no information as to the proportion that was held for the producer and what was held— —A. We have no such records.

Q. Can you give us similar information with respect to carrots? Have you any information on carrots that would be of help to us?—A. Yes, I have on carrots. In the case of carrots a large proportion has been in the hands of the growers at the farms.

Q. Have you any figures as to the extent which warehoused celery is in warehouses or put in cold storage of the growers themselves? There are cold storage plants now, are there not, of the growers themselves used by them without resort to the commercial warehouses?—A. Cooperative cold storages, yes. I have no figures.

By Mr. Beaudry:

Q. Mr. Reynolds, in regard to citrus fruits did I understand you in answer to a previous question to say that it was the result or it may have been the result or it was a happy coincidence through the imposition of import restrictions in Canada on November 17 that the cost of the citrus fruits at the point of sale in the United States went down?—A. It is impossible for me to say what connection there was.

Q. But you did establish a relationship?—A. There might have been a relationship. If there is a wider outlet for merchandise it would create a better demand.

Q. Without going into the causes I think if we refer to the record you did establish that relationship to some extent?

Mr. FLEMING: No, he did not.

Mr. BEAUDRY: I beg your pardon, I am going back to the record.

Mr. FLEMING: You won't find that on the record.

Mr. IRVINE: It was a fact it occurred.

Mr. FLEMING: That is all, it occurred.

The WITNESS: May I have the question again, please.

The ACTING CHAIRMAN: Let it go.

Mr. BEAUDRY: Would you read the question?

Reporter reads:

In regard to citrus fruits did I understand you in answer to a previous question to say that it was the result or it may have been the result or it was a happy coincidence through the imposition of import restrictions in Canada on November 17 that the cost of the citrus fruits at the point of sale in the United States went down?

The WITNESS: It is impossible to answer that positively. I would say that it had a little effect but not a marked effect.

Mr. BEAUDRY: Call it a coincidence if you want to stick to that word instead of a result or possible result.

The WITNESS: All right.

By Mr. Irvine:

Q. Was it a fact the price did go down in the United States?—A. Yes, under heavy supplies.

Mr. BEAUDRY: That is already part of the evidence.

The ACTING CHAIRMAN: Have you finished your questions?

Mr. BEAUDRY: No.

By Mr. Beaudry:

Q. Did you from your previous statement of figures infer in the case of celery that celery was in short supply in December?—A. No.

Q. You did not? Thank you.

Mr. HOMUTH: Mr. Reynolds was asked a question with regard to the price of carrots in Canada and the price of carrots in the United States. Mr. Cleaver in questioning him brought out the fact the price of carrots had increased in the United States perhaps equal to the price—

Mr. CLEAVER: More sharply.

Mr. HOMUTH: —or more so, but is it not a fact that the carrots in the United States were fresh grown carrots whereas the carrots in Canada were old carrots?

Mr. CLEAVER: He said New York state—

The ACTING CHAIRMAN: The question is to the witness.

The WITNESS: Both old carrots and new carrots have advanced.

By Mr. Homuth:

Q. Can you give us a comparison as to the price increase in old carrots and in new carrots in the United States as compared with the price of old carrots in Canada? You are dealing with two different subjects, fresh grown carrots in the United States and old carrots in Canada.—A. I must answer that that old carrots in New York city, at the time I left Toronto, were selling at \$5.25.

Q. Would that be the price for export to Canada?—A. They would never be exported to Canada. You see we have exported many of our carrots to the United States. That is one of the reasons we are short of carrots. We have exported large quantities to the United States.

Mr. CLEAVER: I apparently know a little bit about carrots.

Mr. HOMUTH: I know carrots. I have grown some.

By Mr. Cleaver:

Q. Coming back to that shipment of Florida oranges by truck, marketed in Toronto to a Toronto importer, not a jobber, at \$4.75 a case when the Toronto market was \$3.40 a case, would you mind telling the committee the story behind that? Why would a trucker bring oranges from Florida by truck and be able to sell them at \$4.75 a case when most of the Florida oranges were being brought in by rail at \$3.40 a case? There must be some story behind it.—A. There is a story. I will be glad to give it to you. I have not the exact dates here, but about that time or just prior to that time there was an embargo put on oranges leaving the state of Florida. On account of the weather they had had they wanted to make sure the oranges were suitable.

Q. That was the United States?—A. There were no Florida oranges of the \$3.40 price in Toronto on that date to the best of my knowledge. This man with the truck was one of the first ones out after the embargo was lifted.

Q. And that embargo was a United States embargo?—A. That is right, a United States embargo on account of weather conditions.

Q. And where would that trucker obtain his foreign exchange to buy those oranges?—A. He would have to have a quota. He was a trucker who made a practice of this business and he has his quota.

Q. He would obtain his United States dollars in the usual way?—A. He would have to. There would be no other source.

Mr. HOMUTH: What is the usual way?

Mr. CLEAVER: I will let you ask that question.

—Mr. R. Maybank, Vice-Chairman, resumed the chair.

By Mr. Cleaver:

Q. Mr. Reynolds, referring to the short statement you made this morning in regard to the financial condition of the wholesalers and their distress, on page 3 of your statement I read:

Over a period of years no excessive profits result from these operations.

That has reference to the citrus fruit operations?

A. I beg your pardon, if I may; that refers to the fall buying, does it not, of onions?

Q. Page 3?—A. Yes, that refers to the fall buying.

Q. I notice now the error I made. What do you say as to the profits on citrus fruits; would you care to comment on that at all?—A. Profits up until today?

Q. With reference to the profits as indicated by our exhibit 5; do I understand that those profits were large, but you considered they were not too large because of the losses which the trade had experienced in other lines?—A. Not only that, Mr. Cleaver, but because of the restricted volume.

Q. Have you any financial statement of any of the firms which you could supply to this committee as evidence of these opinion statements which you have expressed?—A. I have not.

By Mr. Lesage:

Q. On the same point, Mr. Reynolds, will you look at the bottom of page 1 of your statement? You say,

Certain commodities today are currently selling below cost.

Then, you give some examples,

B.C. apples, C Grade Delicious, cost \$2.95 per box plus storage, in many cases, selling at \$2.75.

I understand that those are isolated cases?—A. No not isolated.

Q. It is not an average?—A. I beg your pardon?

Q. Is it average?—A. It has been the condition of the market for some time.

Q. For how long?—A. Since the first of December.

Q. So you contend, if I understand you correctly, that this figure of \$2.95 is the average cost to the wholesaler, and the average selling cost for the same period of six weeks has been \$2.75?—A. I cannot give you the average. I can give you specific cases.

Q. But they are not average?—A. I think they would be approximately average, but I cannot tell you that.

Q. It may be that, in some instances, profits were made?—A. It might be, but it is very doubtful.

Q. So far as the potato market is concerned, is it the same or is it an average?—A. So far as the potato situation is concerned, it is a similar case.

Q. Just one case?—A. No, a similar condition.

Q. And that condition has existed for how long?—A. Since about November 20. The market in New Brunswick advanced very sharply as there was heavy buying done by receivers. It was aggravated by the fact many of them thought they would have no merchandise to sell under the restrictions, so they went into the potato business.

Q. Do many wholesalers in Toronto have large stocks of potatoes in warehouses in Toronto?—A. There are considerable stocks. I have no record as to the amount.

Q. You would not know what the average price was of those stocks in Toronto?—A. No.

Q. It would be well below \$2.30?—A. No, it would be above \$2.30.

Q. Were not potatoes sold for \$1.45 and \$1.55 in September and October?—A. Yes, I think they were at about those figures, but they were not stored in Toronto. They went into consumption. November 17, there were very few potatoes in the city of Toronto.

Q. That was a special condition in Toronto?—A. Very possibly.

By the Vice-Chairman:

Q. Is it not right that your knowledge is, in a large measure, confined to the Toronto area, Mr. Reynolds?—A. To a large extent that is true. I have some knowledge of general conditions, naturally. Specifically, it would be in relation to the Toronto district.

Q. The main attention of your duties is Toronto?—A. That is correct.

By Mr. Lesage:

Q. Now, Mr. Reynolds, you state at the top of page 2 of your brief,

The market today is \$2.35 to \$2.50, and there are still potatoes which cost \$2.90 in wholesalers hands?

—A. Right.

Q. That is the top price \$2.90?—A. That is right.

Q. That is not the average price—A. No, that is not the average price, that is the top price.

Q. You could not say what the average cost was?—A. I cannot. It would just be a guess without getting a complete check of the market.

By Mr. Pinard:

Q. Would you have made the same comments in so far as other vegetables are concerned? You are talking about potatoes, apples and cabbage. How about onions, for instance?—A. The onion market is firm. There is no weakness in the onion market.

Q. In other words, the losses would have been sustained only on those commodities you have mentioned. On others, you would have made a profit?—A. The general losses, yes. There might be losses in particular cases on other commodities, but the general losses have been sustained by the merchants handling B.C. apples, potatoes and heavy losses on the imports of Texas cabbage.

Q. Would you not say that those losses are compensated by profits on the others?—A. Not on the other vegetables.

Q. How would you compare it?—A. Again, that would be merely an estimate.

Q. Would you be able to put it on a percentage basis, without being too accurate? I do not want you to give us a definite figure, but if you could give us an estimate?—A. I am afraid I cannot make such an estimate. It would vary greatly with the different houses and the different firms.

Q. But generally speaking?—A. For the entire market, no, I would not say that the profits on other vegetables would compensate, in the current market, for the losses being currently sustained in the commodities I have mentioned.

Q. Would it not be nearly compensation?—A. It might come near compensation, perhaps, I do not know.

Q. So, why do you say that the wholesalers find themselves in a very precarious situation now?—A. I think they do if their volume is to be reduced by 60 per cent which is what we anticipate. Under present conditions, it is impossible for them to reduce their overhead correspondingly and to have any organiza-

tion left with which to handle domestic products when they are ready next summer.

Q. Just one more question. Is it not a fact that in normal times the same thing applies? There are losses and there are profits and it depends on the crop situation?—A. That is quite true, but there is unrestricted volume. You are able to get in and buy merchandise to recoup your losses. Now, there is no such opportunity; none whatever. We face the next few months without any supplies, with the exception of a few turnips and with the exception of some of these commodities I have pointed out to you that are showing losses. Now, too, the margin of profit on oranges has been reduced to a moderate figure and our supply is still the same.

By Mr. Lesage:

Q. Do you not have a good supply of onions, for instance?—A. Onions?

Q. Yes.—A. Some firms would have a supply of onions.

Q. What was the trend in prices? That was one of the commodities you did not mention.—A. Oh yes, I mentioned onions in my statement.

Q. What was the trend? Could you give us some actual prices for November, December, January and February, for onions?—A. I think the government reports would show that, probably.

Q. There is no official here and that is why I am asking you?—A. There are some copies of the government report right over here. They would probably show it.

Q. You could not tell us?—A. No.

The VICE-CHAIRMAN: He is getting a report at which to look. It is a D.B.S. report and from it he is proposing to answer that question.

The WITNESS: This report is dated February 12. Yellow cooking onions—we will try to take yellow cooking onions in each case—this is the market in Toronto according to the Dominion Market Report, 50 lbs. \$3.75.

Mr. HOMUTH: Would those be Mitch Hepburn's onions?

The WITNESS: I do not know. Here is January 29, yellow cooking onions, \$2.75 to \$3.25. Here is January 19, \$2.50 to \$2.75.

By Mr. Lesage:

Q. I would be satisfied that you go back to December now.—A. \$2.25 to \$2.50 on December 18.

Q. And the end of November?—A. \$2.50 to \$2.75.

Q. The beginning of November?—A. November 3, \$1.35 to \$1.65.

Q. That is what I wanted.

Mr. MERRITT: That was a fatal question.

Mr. LESAGE: That is what I wanted.

By the Vice-Chairman:

Q. Just to identify the document you referred to, that is a government report but I got the impression that it is Quebec rather Dominion Bureau of Statistics.—A. No, it is combined. It is the Dominion Department of Agriculture.

Q. Up at the top it says Quebec?—A. It says Quebec Dominion Market Reports.

Q. That is a weekly report?—A. It is daily.

Q. A daily report?—A. Yes.

By Mr. Lesage:

Q. From your knowledge, Mr. Reynolds, has the same trend been shown in the States with respect to onions?—A. I beg pardon?

Q. Has the same trend in prices been shown in the United States as far as onions are concerned?—A. Yes. We have been exporting many onions to the United States.

Q. We are exporting onions to the United States, we are not importing?—A. We have been exporting.

Q. This is my last question, would it be right to assume that in December and January the bulk of the celery in the warehouses was the property of the wholesaler?—A. No.

Q. It would not be?—A. No.

Q. Would it be right to assume the bulk was the property of the growers?—A. I would, just as an estimate, say it was 50 per cent in the growers' hands and 50 per cent in either country dealers' hands or celery dealers' hands. There would perhaps be some in the wholesalers' hands.

By Mr. Mayhew:

Q. On oranges you are allowed 60 per cent of the 1947 quota?—A. 50 per cent of the dollar value of the imports in the basic period.

Q. The basis period, 1947?—A. The year ended June 30, 1947.

Q. What would that be on your 1939 quotas?—A. Quite comparable.

Q. What do you mean by that?—A. I mean—

Q. Would you be getting more in 1948 than in 1939?—A. Probably as many.

Q. I think if you check up you will find—

Mr. HOMUTH: It is in dollar value, which makes a difference.

Mr. FLEMING: Yes, that ought to be very clear. Mr. Mayhew's question may have suggested quantity.

Mr. MAYHEW: No, it is dealing in dollar values. If you figure your dollar value then you have over 200 per cent. If you are dealing in quantity you still have 100 per cent over 1939.

The WITNESS: Those figures are available in your statistics. I venture to say the comments are correct.

Mr. HOMUTH: I think that should be cleared up. Mr. Mayhew has made a statement that in dollar value it would be 200 per cent over 1939 but in quantity it would be 100 per cent, and I think that should be verified.

The VICE-CHAIRMAN: The witness does not propose to answer it with complete accuracy. He is inclined to think it is about correct but that we could verify it ourselves from D.B.S. That of course is open to us and it will be done. Now do you have some further question Mr. Mayhew?

Mr. MAYHEW: Mr. Reynolds has been intimating that their plans are based on these restrictions continuing throughout the year. You could not get that from the minister's statement. His statements are more or less in the hope that many of these restrictions will be removed.

Mr. FLEMING: Well, Mr. Chairman—

The VICE-CHAIRMAN: The question is quite in order. He says the witness has been speaking as though restrictions were to continue and he asks whether in fact he is concluding they are going to continue from anything he has learned from the minister, only Mr. Mayhew does not put it in that form. It is a question in the form of a statement.

Mr. MERRITT: Mr. Mayhew went on to say the minister was suggesting the restrictions were coming off soon, but the minister was very careful when we were pressing him in the House to give no prognosis.

The VICE-CHAIRMAN: At any event it is clear the witness was saying he was basing his statements upon the continuance of restrictions. I think that is correct is it not?

The WITNESS: That is correct.

The VICE-CHAIRMAN: And if they come off it would, of course, change the picture very considerably.

Mr. HOMUTH: Mr. Mayhew was speaking on behalf of the government—

Mr. MAYHEW: I beg your pardon, I am not speaking on behalf of the government. You were pinning the minister down to a date but I say the minister would not give a date because that would have to be a poor estimate.

Mr. HOMUTH: That is only conjecture on your part.

The VICE-CHAIRMAN: This private war does not make very much difference. Sometimes questions are put in slightly different form to that which would be used by others. Now are there any other questions, Mr. Mayhew?

Mr. PINARD: It would seem to give the impression that they want the restrictions to remain.

The VICE-CHAIRMAN: You have got to make some allowance for them.

Mr. MAYHEW: I would like to make this further observation. Apparently the arguments so far have come out of the order of November 17 which forced down the price of oranges in California but the same order had a different effect on carrots in New York. Carrots were forced up and they want to take advantage of both positions.

Mr. FLEMING: Are you going to allow comments, Mr. Chairman, because I am sure some of the rest of us would be very glad to offer them?

The VICE-CHAIRMAN: I realize that. Right after 6 o'clock there will be four minutes allowed for speeches.

Mr. HOMUTH: Only four minutes? We will never even get started.

The VICE-CHAIRMAN: I know you will not. That is the reason it is fixed at four minutes. Now you have some questions Mr. MacInnis?

Mr. MACINNIS: I have been waiting since 4 o'clock but I do not want to butt in.

The VICE-CHAIRMAN: Your patience is commendable. The Prime Minister is the only man with more patience than you have.

By Mr. MacInnis:

Q. I wish to take the witness back to the comments he made in his statement at the top of page 2. "The potato market has declined from \$2.90 to \$2.30 for New Brunswick in car lots laid-down Toronto." Have you any invoices or statistics on that statement, and the purchase of potatoes by wholesalers?—A. I have no invoices with me to show at the present time. They can be supplied.

Q. Have you any figures or can you make any positive statement as to how much was bought at \$2.90 and how much was bought at \$2.30?—A. I cannot.

Q. I want to relate that to the next sentence which says "the market today is \$2.35 to \$2.50, and there are still potatoes which cost \$2.90 in the wholesalers' hands." Would it not also be correct to say there are potatoes bought at \$2.30 in the wholesalers' hands?—A. Yes.

Q. After November 17 was there undue storing of potatoes?—A. There was very unusual buying of potatoes. As I have explained before people went into the potato business, houses that were not in the habit of handling potatoes, because they wanted something to handle and were fearful they would not have merchandise. The result was rather expensive. They bought potatoes; they created a demand on the market so that it did advance unduly and then it reacted. There are still potatoes in the hands of some unfortunate wholesalers that cost them \$2.90.

Q. But then again you said a moment ago there might be potatoes on hand that cost \$2.30 or perhaps less?—A. I do not think there are any lower than \$2.30 but there might be.

Q. They are still selling at \$2.35 to \$2.50?—A. Yes.

Q. And there need not necessarily be a loss?—A. Yes, I feel that potatoes have been generally a losing proposition since the 25th of November, the potatoes from the maritimes.

Q. When did the buying from the maritimes begin?—A. It begins in the early fall, as soon as they are ready.

Q. About October?—A. I would think so, yes.

Q. When did the price reach the top price?—A. The week the restrictions were announced.

Q. After the 17th?—A. That is right.

Q. And when did the price begin to fall?—A. Oh, I would say, within ten days. That can all be verified by the government reports.

By Mr. Irvine:

Q. I would just like to follow up with one question. I understood the witness named a number of commodities on which dealers had taken a loss and the inference from that was that they had made a higher profit on some other commodities that might help to balance out?—A. Yes.

Q. Now, I would like to have some proof of those losses if we are going to accept the statement; not that I am doubting your word, sir; I just want to get the same evidence for that statement as for the others that we have had?—A. It can be supplied.

Mr. HOMUTH: I think that is a good suggestion.

The WITNESS: I have here invoices from B.C. Tree Fruits Limited on a car of Delicious apples, \$2.15 f.o.b.; freight 80 cents, storage 20 cents, cost \$3.15; and I have a sales invoice, or copies of sales invoices covering these apples at \$2.75.

Mr. IRVINE: I think we would have to go further than that.

Mr. DYDE: I think we should enter this as an exhibit since it has been referred to. It will be Exhibit 13.

EXHIBIT No. 13: invoices relating to carload of Delicious apples.

Mr. IRVINE: I think, Mr. Chairman, if we are going to make a thorough examination of this profit angle we would have to see the books of some of these companies over a period of time and to give our accountant something to do.

The VICE-CHAIRMAN: Yes, Mr. Irvine. Gentlemen, this situation was up for consideration in the steering committee. They looked into it, and as I recall the situation it was more or less understood in that subcommittee that the fruit and vegetable picture certainly would not be completed at this time but that sufficient information will probably come up to put the secretariat at work on it and that later on with the collection of a suitable amount of material which the committee might want that it would be gone into very much more thoroughly, and it was with that in mind that the bread men were called for this morning, but unfortunately they have been here and we were not ready for them.

Mr. IRVINE: The loaves and the fishes, are they both here?

The VICE-CHAIRMAN: We have not dealt with fishes as yet. We have to determine tomorrow's meeting, gentlemen; and it is my recommendation to you that the witnesses on fruits and vegetables be stood down now until such time as we can get some other information from our officers and that we ask the men who have been called here to discuss bread to be on hand tomorrow. Would you think that is agreeable?

Mr. IRVINE: I still register my protest which I brought to your attention this morning, Mr. Chairman; I think it would be much better if we were to stay on one thing at a time until we complete it.

The VICE-CHAIRMAN: As a member of the committee I think you are talking to the converted, but there was this exception made in this case by the whole committee, not by one person or two, but by the whole committee; and it was an exception to what was intended to be the general rule.

Mr. IRVINE: I hope it will be followed then.

The VICE-CHAIRMAN: I am quite sure that everybody will hope with you; and, at any rate, you are as much the guardian as everybody else of the procedure of this committee.

Mr. IRVINE: Well, if I am on guard, I seem to be losing my battle.

Mr. MACINNIS: I have a question I would like to ask the witness.

The VICE-CHAIRMAN: Just before you do that; is that understood now, gentlemen? That tomorrow we will go on with the witnesses respecting bread? Is that understood, gentlemen?

Some HON. MEMBERS: Agreed.

The VICE-CHAIRMAN: Gentlemen, the meeting is not adjourned. Mr. MacInnis has a question to ask.

Mr. MACINNIS: I want to ask the witness for some other information: are there many Delicious apples sold?

The VICE-CHAIRMAN: I must draw your attention to the fact that the the 4 minutes allowed for speeches has not come into effect yet.

The WITNESS: Yes.

Mr. MACINNIS: I thought probably one reason why you had to take a loss on them was because they were what you might call a luxury apple.

The WITNESS: No, that is not true.

The VICE-CHAIRMAN: You do not mind this British Columbia apple propaganda being introduced, do you; because they are very good apples? Wait a minute, Mr. Dyde has an exhibit to file.

Mr. DYDE: We overlooked the exhibit first referred to, namely the sale of oranges; and I would like to have that entered now as Exhibit 14.

EXHIBIT No. 14: invoices relating to price of oranges.

The VICE-CHAIRMAN: Gentlemen, you have been here as witnesses. We do want to thank you for your attendance and we hope to have you play a return engagement. Thank you very much.

The committee stands adjourned.

The committee adjourned at 5:52 o'clock p.m., to meet again tomorrow, February 20, 1948, at 11 o'clock a.m.

APPENDIX

WARTIME PRICES AND TRADE BOARD

Administrator's Order No. A-2483

MAXIMUM PRICES OF CITRUS FRUIT

Under powers given by the Wartime Prices and Trade Board to the Co-ordinator, Foods Administration, it is hereby ordered as follows:

PART I—INTRODUCTION

1. This Order comes into force on February 19, 1948.

2. All prices fixed by this Order are maximum prices and must not be exceeded. No charge may be made for a container or for packing, handling or any other service which results in the sum of the price and the charge for the container, packing handling and/or service exceeding the maximum price.

3. For the purposes of this Order,

(a) "citrus fruit" means oranges, grapefruit, lemons, limes and tangerines;

(b) "sell" includes offer to sell;

(c) "size" means, in respect to any citrus fruit, the number used to designate the number of that citrus fruit which can be packed in a standard shipping container having a capacity by volume of approximately two (2) cubic feet and which number is customarily marked on the shipping container in which the citrus fruit is packed;

(d) "wholesale distributor" means a person who in any sale, sells citrus fruit at wholesale and "sell at wholesale" means to sell otherwise than at retail or to a consumer.

PART II—SALES BY WHOLESALE DISTRIBUTORS

SALES OF CITRUS FRUIT IMPORTED BY THE WHOLESALE DISTRIBUTOR HIMSELF

4. (1) The maximum price at which a wholesale distributor may sell any citrus fruit, imported by him, shall be the sum of the following, f.o.b. his place of business;

(a) the actual price paid for the citrus fruit, expressed in terms of Canadian currency, at prevailing rates of exchange;

(b) the amount actually paid by him for protective services (icing, refrigeration and/or heating of the freight car in which citrus fruit is shipped to him);

(c) the bank and foreign exchange and the customs duty, excise tax insurance charges and freight charges that are to be borne by him and are not included in the amount fixed by clause (a) preceding;

(d) the actual cost incurred by him for necessary extra wrapping of the citrus fruit but not to exceed 10 cents per standard shipping container; and

(e) a markup not exceeding,

(i) 9 per cent of his selling prices on sales to another wholesale distributor; or

(ii) 17 per cent of his selling price on sales to a retailer;

provided, however, that in order to determine, for the purposes of this Section, the sum of (a), (b), (c) and (d) preceding, such wholesale distributor shall, at the commencement of business on Monday of each week average the cost of each size of each kind of citrus fruit on hand and purchased by him under conditions of sale providing for delivery in that week and such wholesale distributor shall retain in his place of business a copy of his cost sheets available for inspection by any authorized representative of the Board at any time within 12 months of the week to which it relates.

(2) In any case in which it is not feasible for any wholesale distributor to determine his cost of any citrus fruit sold by him in any week according to provisions of subsection (1) of this Section, the Co-ordinator, Foods Administration or some other duly authorized representative of the Board may prescribe the method by which such wholesale distributor shall determine his average laid-down cost of each size of each kind of citrus fruit.

*Sales by Wholesale Distributors of Citrus Fruit
Purchased from an Importing Wholesale Distributor*

5. The maximum price at which a wholesale distributor may sell any citrus fruit purchased by him from a wholesale distributor who imported the citrus fruit into Canada, shall be the sum of the following, f.o.b. his place of business;

- (a) the maximum price as fixed by this Order at which the citrus fruit may be sold to him by his supplier; and
- (b) the actual cost of transporting the citrus fruit by common carrier to his receiving point from his supplier's shipping point, if his supplier is not by this Order required to deliver free to him, but he must not include such cost in computing his markup; and
- (c) a markup not exceeding 8 per cent of his selling price.

*Sales by Wholesale Distributors
Not Covered by Sections 4 and 5*

6. Unless otherwise authorized by the Co-ordinator, Foods Administration, or some other duly authorized representative of the Board, the maximum price at which a wholesale distributor, not referred to in Sections 4 and 5, may sell any citrus fruit, shall be the sum of the following, f.o.b. his place of business:

- (a) the maximum price as fixed by Section 5 at which the citrus fruit may be sold to him by his supplier; and
- (b) the actual cost of transporting the citrus fruit by common carrier to his receiving point from his supplier's shipping point, if his supplier is not by this Order required to deliver free to him.

Sales by Wholesalers of Broken Case Lots

7. If citrus fruit is packed in a case, crate or other package, and, at the request of his buyer or to achieve equitable distribution of his available supply, a sale is made by a wholesale distributor of a quantity that is half of or less than half of such case, crate or other package lot, he may charge the buyer an additional amount not exceeding 4 per cent of his lawful selling price.

Delivery to be Free in Certain Cases

8. If the sale of citrus fruit by a wholesale distributor is to a buyer whose place of business is within the limits of the city, town or village in which the wholesale distributor has his place of business or is within the wholesale distributor's customary free delivery zone, delivery shall be free to that buyer.

Prepayment of Transportation Charges

9. At the request of a buyer, a wholesale distributor may prepay the charge for transporting any shipment of citrus fruit to the city, town or village in which

the buyer has his place of business, but in that event he must show such charge as a separate item on his sales invoice to the buyer and must not include such charge in computing his markup.

PART III—SALES AT RETAIL

Maximum Retail Prices

10. (1) The maximum price at which any person may sell at retail any citrus fruit purchased by him from a wholesale distributor in Canada shall be the sum of the following:

- (a) the actual price paid by him for the citrus fruit but not exceeding the maximum price that may be charged by his supplier under the provisions of this Order;
- (b) if his supplier is not by this Order required to deliver free to him, the actual cost of transporting the citrus fruit from his supplier's shipping point to the city, town or village in which he has his place of business; and
- (c) a markup not exceeding,
 - (i) 30 per cent of his selling price on sales of Florida oranges or lemons, limes or tangerines; or
 - (ii) 25 per cent of his selling price on sales of any other oranges or grapefruit.

(2) The maximum price at which any person may sell at retail any citrus fruit imported by him shall be the sum of the following:

- (a) the amount to which, under the provisions of Section 4 of this Order, he could add his markup if he were a wholesale distributor;
- (b) if he took delivery of the citrus fruit at a point which is not situated within the limits of the city, town or village in which his retail outlet is situated, the actual cost of transporting the citrus fruit from such receiving point to such city, town or village; and
- (c) a markup not exceeding,
 - (i) 30 per cent of his selling price on sales of Florida oranges or lemons, limes or tangerines;
 - (ii) 25 per cent of his selling price on sales of any other oranges or any grapefruit.

or

if the citrus fruit was imported by him by rail or water in carload lots,

- (i) 35 per cent of his selling price on sales of Florida oranges or lemons, limes or tangerines; or
- (ii) 30 per cent of his selling price on sales of any other oranges or any grapefruit.

Sales at Retail by Weight and by Unit

11. (1) For the purpose of determining the maximum price of any citrus fruit which is priced and sold at retail by unit or by weight, the number of citrus fruit or the net weight thereof, as the case may be, in the original container in which they were packed when received by the retailer shall be deemed to be

- (a) as stamped or marked on the original container; or
- (b) if not so stamped or marked, as shown on his supplier's invoice; or
- (c) if neither so stamped or marked nor shown on his supplier's invoice, that which is actually in the original container when received by him.

(2) No person selling any citrus fruit at retail by weight shall issue or sponsor a price list or advertisement which gives the price of the citrus fruit unless it also states that the price is per pound or multiple thereof.

(3) Except when selling citrus fruit by the original container in which he received them,

- (a) every person selling citrus fruit at retail otherwise than by weight shall price and display all citrus fruit offered for sale by him at his place of business according to their respective sizes only, and shall have the size of the citrus fruit marked on the container in which they are displayed or on a card displayed therewith or attached thereto; and
- (b) no person selling any citrus fruit at retail otherwise than by weight shall issue or sponsor a price list or advertisement which gives the price of such citrus fruit unless it also gives the sizes of each kind of citrus fruit so listed or advertised.

PART IV—GENERAL PROVISIONS AND RECORDS OF SALES AND PURCHASES

Equitable Distribution

12. During each calendar quarter, every wholesale distributor must offer to sell to each buyer who purchased citrus fruit from him during the year ending June 30, 1947, the same proportion of his purchases of the same kind of citrus fruit as his sales to such buyer were to his total sales of that kind of citrus fruit during the corresponding calendar quarter of the year ending June 30, 1947.

Sales Invoices

13. (1) On every sale of any citrus fruit other than a sale at retail, the seller shall at the time of delivery, furnish the buyer with an invoice showing, in addition to any other particulars which, by this Order, he is required to show on his invoice, the following:

- (a) the name and identifying address of the seller and the buyer and the date of sale;
- (b) the size and quantity of the citrus fruit sold and in the case of the Florida oranges, the State of origin; and
- (c) the price charged.

(2) Every seller shall keep a duplicate copy of each invoice furnished by him as required by this Section.

Records of Purchases

14. (1) Every person, other than the importer of citrus fruit, who buys any citrus fruit for resale shall, at the time of delivery of the citrus fruit to him obtain from his supplier an invoice completed in accordance with the provisions of subsection (1) of Section 13 covering that transaction.

(2) Every person who imports citrus fruit for resale shall, before selling such citrus fruit, record on the copy of the invoice furnished him by his supplier any of the particulars referred to in subsection (1) of Section 13 which are not recorded on that invoice when it is received by him.

(3) Every person who buys any citrus fruit for resale shall, at the time of delivery of the citrus fruit to him, obtain a receipted bill covering any amount paid by him for the transportation of the citrus fruit.

Retention and Inspection of Invoices and Transportation Receipts

15. Every duplicate copy of an invoice which a seller of citrus fruit is required by this order to make and keep and every invoice and transportation bill or receipt which a person who buys citrus fruit for resale obtains, shall be kept by him available for inspection by any authorized representative of the Board at any time within twelve months of the date of the transaction to which it relates.

Sales Slips on Sales at Retail

16. Every person who sells citrus fruit at retail shall upon request of the buyer furnish him with a sales slip showing the date of sale, the seller's name and address, the size, quantity and price of the citrus fruit sold and in the case of the Florida oranges, the State of origin.

Dated at Ottawa, this 17th day of February, 1948.

F. S. GRISDALE,
Co-ordinator,
Foods Administration.

APPROVED:

W. T. WILSON,
Deputy Chairman,
Wartime Prices and Trade Board.

Doc
m
m
SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE


NO. 8

FRIDAY, FEBRUARY 20, 1948

WITNESS:

Mr. R. G. Meech, K.C., Vice-President, Loblaw Groceterias, Limited,
Toronto.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.S.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



MINUTES OF PROCEEDINGS

FRIDAY, February 20, 1948.

The Special Committee on Prices met at 11.00 a.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudry, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Maybank, Mayhew, Merritt, Pinard.

Mr. H. A. Dyde, K.C., Counsel to the Committee in attendance.

Mr. Dyde filed:

Exhibit No. 15,—Copy of Wartime Prices and Trade Board Administrator's Order No. A-2483 "Maximum Prices of Citrus Fruit" (Printed in Appendix to proceedings of Feb. 19).

Exhibit No. 16,—Bread Statistics 1939-1948, prepared by the Dominion Bureau of Statistics.

Exhibit No. 17,—Statement on the Production and Disposition of Principal Grains, Canada, Crop years 1934-35 to 1947-48, prepared by Agricultural Division, Dominion Bureau of Statistics.

Exhibit No. 18,—Statement showing wholesale flour prices to Bakers, October 1, 1947 to February 1, 1948.

Counsel made a preliminary statement on the proposed procedure to follow in connection with the Committee's inquiry into "Bread".

Mr. R. G. Meech, K.C., Vice-President, Loblaw Groceries Ltd., Toronto, was called, sworn and examined.

He filed:

Exhibit No. 19,—Statement showing selling price and cost of 24 ounce loaf (wrapped, unsliced) Loblaw Groceries Limited, Toronto and Ottawa, as from September 1947 to January 27, 1948.

During the proceedings, Mr. Fleming took the chair for a time in the absence of the Vice-Chairman.

At 1.05 p.m. witness retired and the Committee adjourned until Monday, February 23, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

FEBRUARY 20, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Vice-Chairman, Mr. R. Maybank, presided.

The VICE-CHAIRMAN: Gentlemen, Mr. Dyde has a few documents to file this morning.

Mr. DYDE: Mr. Chairman, there was a reference made yesterday to the Wartime Prices and Trade Board Order No. A-2483. Copies have been supplied to me and I think a copy should be filed.

Mr. FLEMING: What is this?

Mr. DYDE: That is the recent order.

Mr. FLEMING: The one made the day before yesterday?

The VICE-CHAIRMAN: Yes.

Mr. FLEMING: It was supposed to go into the record yesterday as an appendix.

The VICE-CHAIRMAN: That is what I was going to suggest, but if the suggestion was made yesterday that settles it.

Mr. DYDE: I think it was, but at that time I did not have copies to distribute to the committee.

The VICE-CHAIRMAN: It is agreed, then, that it goes into the record as an appendix.

Mr. DYDE: Then, Mr. Chairman, there is a document supplied by the Dominion Bureau of Statistics called, "Bread Statistics, 1939-1948". There are a number of copies here.

The VICE-CHAIRMAN: I believe it would be well to have that statement given an exhibit number in case anyone desires to identify it, so that the Wartime Prices and Trade Board order which we have decided will be an appendix will become exhibit No. 15.

EXHIBIT No. 15—Wartime Prices and Trade Board Order A-2483. Appears as an appendix to the evidence of Thursday, February 19.

Mr. MAYHEW: May I suggest that the exhibits be put in under subject headings?

The VICE-CHAIRMAN: It has already been decided to file this one as an appendix.

Mr. FLEMING: It would be quite impossible to classify these under subject headings now, because they overlap. Some of the exhibits which we have so far could not be confined to any one commodity.

Mr. MAYHEW: Then, we will have to keep some sort of index or else we will get lost.

Mr. FLEMING: Could the secretary not keep a running index to the exhibits and circulate it every few days, so we would have a reasonably up to date index in our hands.

The VICE-CHAIRMAN: Mr. Arsenault has an index now in that fashion and I would suggest he run off a sheet for the members of the committee, including exhibits 15, 16 and 17. Then, after a while, he can make additions to the list.

Now, these bread statistics will become useful immediately. Would it be your desire to print these at the commencement of the proceedings, at the time they are being filed? Would that be agreeable?

There seems to be no objection to that, so I will direct that these bread statistics, which will become exhibit 16, be printed at the commencement of today's proceedings.

EXHIBIT No. 16—Bread Statistics, 1939-1948, Dominion Bureau of Statistics.

DOMINION BUREAU OF STATISTICS, OTTAWA, CANADA BREAD STATISTICS 1939-1948

Prepared for House of Commons Special Committee on Prices, Session 1947-1948

NOTES ON TABLES

1. For a cross-sectional view of the baking industry, as well as historical material relating to data on value of products, materials used, wage and salary payments, etc., see "Report on the Bread and Other Bakery Products Industry in Canada, 1945", Dominion Bureau of Statistics, 1947.
2. Bread prices in Tables 2 and 3 are quite different in character. Those in Table 2 are averages of all bread produced by reporting bakers, regardless of changes in kind and quality. Those in Table 3 provide a basis of tracing price changes between specified dates for the same kind of bread. A complete record of independent grocers' or bakers' retail prices for most centres of 10,000 or more is available back to 1939.
3. Bakers' wagon prices for plain, wrapped, white bread have been shown in Table 3 for several cities. Comparable prices for independent grocers have also been provided for recent dates. This record can be carried back but is not presently available.

TABLE 1.—CONSUMPTION OF BREAD IN CANADA, 1939 TO 1945

The following table gives the per capita consumption of "bakers" bread for the years 1939 to 1945, based on the population figures given in the bulletin "Population of Canada, 1867-1945".

Year	Quantity of bread (*)	Value of bread	Per capita con- sumption
	Pound	\$	Pound
1939.....	999,457,133	51,665,516	88.3
1940.....	1,015,902,503	54,021,761	88.9
1941.....	1,068,450,351	58,321,072	92.7
1942.....	1,153,838,551	63,345,856	99.0
1943.....	1,244,207,552	68,899,213	105.4
1944.....	1,249,083,402	70,252,657	104.3
1945.....	1,291,903,364	73,769,296	106.6

(*) Includes bread made in the biscuit and confectionery industry.

TABLE 2.—AVERAGE SELLING PRICE AT THE FACTORY PER POUND OF BREAD IN CANADA AND THE PROVINCES, 1939-1945 (*)

Year	Canada	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario	Manitoba	Saskat- chewan	Alberta	British Columbia
	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.
1939.....	5.2	5.7	5.1	5.5	4.7	5.2	5.0	5.3	5.9	6.4
1940.....	5.3	5.5	5.9	5.6	4.9	5.2	5.0	5.2	6.2	6.4
1941.....	5.4	5.4	5.8	5.6	4.9	5.5	5.3	5.3	6.1	6.7
1942.....	5.5	5.7	6.4	5.9	4.8	5.7	5.3	5.2	5.9	6.8
1943.....	5.5	5.6	6.2	6.0	4.9	5.6	5.5	5.2	5.8	7.0
1944.....	5.6	5.4	6.5	6.0	5.0	5.7	5.2	5.3	5.9	7.0
1945.....	5.7	5.7	6.6	6.4	5.0	5.9	5.5	5.1	6.1	7.2

(*) The above figures are based on the total production of bread by all the bakers reporting annually to the Bureau under the requirements of the Census of Industry.

TABLE 3.—RETAIL BREAD PRICES AT SPECIFIED DATES
(first of month quotations in cents, per pound, for plain white wrapped loaves)

Description	1939 Aug.	1941 Oct.	1945 Dec.	1947 Sept.	1947 Oct.	1947 Nov.	1947 Dec.	1948 Jan.	1948 Feb.
	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.
Dominion Average, bakers and independent grocers.....	6.3	6.7	6.7	6.8	9.1	9.1	9.1	9.1	9.5*
Montreal —baker's wagon.....	6.0	6.0	6.0	6.0	8.1	8.1	8.1	8.1	8.3
Ottawa —baker's wagon.....	6.7	6.7	6.7	6.7	8.9	8.9	8.9	8.9	8.9
Toronto —baker's wagon.....	6.7	6.7	6.7	6.7	8.8	8.8	8.8	8.8	9.1
Chicoutimi—baker's wagon.....			6.0	6.7	10.0	10.0	10.0	10.0	10.0
Montreal —independent grocers.....	5.5		5.9	6.2	8.2	8.3	8.3	8.3	9.9
Ottawa —independent grocers.....	5.8		6.3	6.6	8.6	8.6	8.6	8.6	8.6
Toronto —independent grocers.....	6.1		6.5	6.6	8.6	8.6	8.6	8.7	9.3
Chicoutimi—independent grocers.....			6.3	7.1	10.5	10.4	10.0	10.0	10.0
Montrel —chain stores.....	4.2	4.9	4.9	4.9	6.3	6.7	6.7	6.7	7.1
Ottawa —chain stores.....	5.0	5.0	5.0	5.0	6.7	6.7	6.7	6.7	6.7
Toronto —chain stores.....	4.4	5.0	5.0	5.0	6.7	6.7	6.7	6.7	6.7

*Estimated from incomplete reports.

TABLE 4.—WHOLESALE BREAD PRICES, AVERAGE OF EIGHT MAIN CITIES, 1939 TO JANUARY, 1948
(Fifteenth of month quotations in cents per pound)

Month	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.
January.....	5.7	5.5	5.7	5.8	5.8	5.8	5.8	5.8	5.8	7.6
February.....	5.6	5.6	5.7	5.8	5.8	5.8	5.8	5.8	5.8	
March.....	5.6	5.6	5.7	5.8	5.8	5.8	5.8	5.8	5.8	
April.....	5.6	5.6	5.7	5.8	5.8	5.8	5.8	5.8	5.8	
May.....	5.6	5.7	5.7	5.8	5.8	5.8	5.8	5.8	5.8	
June.....	5.6	5.7	5.7	5.8	5.8	5.8	5.8	5.8	5.8	
July.....	5.6	5.7	5.7	5.8	5.8	5.8	5.8	5.8	5.8	
August.....	5.6	5.7	5.8	5.8	5.8	5.8	5.8	5.8	5.8	
September.....	5.6	5.7	5.8	5.8	5.8	5.8	5.8	5.8	5.8	
October.....	5.6	5.7	5.8	5.8	5.8	5.8	5.8	5.8	7.6	
November.....	5.6	5.7	5.8	5.8	5.8	5.8	5.8	5.8	7.6	
December.....	5.5	5.7	5.8	5.8	5.8	5.8	5.8	5.8	7.6	
Year.....	5.6	5.7	5.8	5.8	5.8	5.8	5.8	5.8	6.3	

Mr. DYDE: The next document, Mr. Chairman, is also from the Dominion Bureau of Statistics, prepared at the request of the committee, concerning the production and disposition of principal grains. This will become exhibit 17.

The VICE-CHAIRMAN: It is rather a large document, gentlemen. Since the bread statistics come at the beginning of today's proceedings, probably that ought to go in at the same place.

Mr. FLEMING: Mr. Chairman, is the proper place to put these in the day's proceedings or in the appendix?

The VICE-CHAIRMAN: Normally, we have been settling that substantially on the basis of the difficulty or the non-difficulty of printing these other documents. I suggested the bread statistics be carried right at the beginning of today's proceedings because we will be dealing with them immediately. Now, since we decided that in so far as the bread statistics are concerned, I suggested we had better do the same thing with this since it is basic to that subject.

Mr. FLEMING: Agreed.

The VICE-CHAIRMAN: That being agreed, this exhibit will also be printed at the beginning of today's proceedings.

EXHIBIT No. 17—Production and disposition of principal grains, Canada, Crop years 1934-35 to 1947-48.

, Agricultural Division, Dominion Bureau of Statistics, Ottawa, Canada

PRODUCTION AND DISPOSITION OF PRINCIPAL GRAINS, CANADA, CROP YEARS 1934-35 TO 1947-48

Prepared for House of Commons Special Committee on Prices, Session 1947-48, February 17, 1947

PRODUCTION AND DISPOSITION OF WHEAT—CANADA—CROP YEARS ENDING JULY 31

Crop year	Carry-over beginning of period	Crop	Imports	Total supply	Exports			Carry-over at end of period	Apparent Domestic disappearance (⁴)
					Wheat	wheat flour	Total wheat and wheat flour		
	bushels	bushels	bushels	bushels	bushels	bushels	bushels	bushels	bushels
1934-35.....	202,902,177	275,849,000	896,714	479,647,891	144,374,910	21,376,395	165,751,305	213,852,118	100,044,468
1935-36.....	213,852,118	281,935,000	291,510	496,078,628	232,019,649	22,405,127	254,424,776	127,362,598	114,291,254
1936-37.....	127,362,598	219,218,000	403,396	346,983,994	189,407,342	20,365,492	209,772,834	37,048,839	100,162,321
1937-38.....	37,048,839	180,210,000	6,138,819	223,397,658	79,342,220	16,243,451	95,585,671	24,535,858	103,276,129
1938-39.....	24,535,858	360,010,000	1,891,177	386,437,035	139,315,085	20,719,103	160,034,188	102,910,853	123,491,994
1939-40.....	102,910,853	520,623,000	444,369	623,978,222	162,158,217	30,516,151	192,674,368	300,473,465	130,830,389
1940-41.....	300,473,465	540,190,000	122,798	840,786,263	184,906,524	46,299,722	231,206,246	480,129,311	129,450,706
1941-42.....	480,129,311	314,825,000	29,102	794,983,413	179,902,431	45,926,003	225,828,434	423,752,337	145,402,642
1942-43.....	423,752,337	556,684,000	3,023	980,439,360	158,112,433	56,588,469	214,700,902	594,626,019	171,112,439
1943-44.....	594,626,019	284,460,000	432,931	879,518,950	283,165,650	60,589,670	343,755,320	356,531,079	179,232,551
1944-45.....	356,531,079	416,635,000	404,547	779,570,626	280,288,271	62,657,244	342,945,515	258,072,830	172,552,281
1945-46.....	258,072,830	318,512,000	74,765	576,659,595	278,087,740	62,037,770	340,105,510	73,600,209	162,953,876
1946-47.....	73,600,209	413,725,000	15,584	487,340,793	163,072,434	79,470,491	242,542,925	84,472,580	160,325,288
1947-48(⁵).....	84,472,580	340,767,000	.....	.....	.....	.....	.....	.....	.....

(1) Carry-over at beginning of period plus crop plus imports.

(2) Prior to 1936-37 Canadian Customs figures are used. From 1936-37 to date exports consist of overseas clearances as reported by the Board of Grain Commissioners, plus United States imports for consumption.

(3) Customs exports—flour converted to equivalent bushels of wheat at the rate of 4.5 bushels to the barrel.

(4) Total supply less exports and end of period stocks.

(5) Preliminary.

PRODUCTION AND DISPOSITION OF OATS—CANADA—CROP YEARS ENDING JULY 31

Crop year	Carry-over beginning of period	Crop	Imports (¹)	Total supply (²)	Exports (¹), (³)	Carry-over at end of period	Apparent domestic disappearance (⁴)
	bushels	bushels	bushels	bushels	bushels	bushels	bushels
1934-35.....	31,060,497	321,120,000	16,629	352,197,126	17,863,142	26,470,703	307,863,281
1935-36.....	26,470,703	394,348,000	355,786	421,174,489	15,515,173	40,379,860	365,279,456
1936-37.....	40,379,860	271,778,000	24,257	312,182,117	8,593,066	18,266,043	285,323,008
1937-38.....	18,266,043	268,442,000	11,818,111	298,526,154	8,226,611	19,498,653	270,800,890
1938-39.....	19,498,653	371,382,000	3,347,096	394,227,749	12,933,089	48,887,155	332,407,505
1939-40.....	48,887,155	384,407,000	12,980	433,307,135	23,589,125	46,931,028	362,786,982
1940-41.....	46,931,028	380,526,000	22,832	427,479,860	13,650,517	41,563,379	372,265,964
1941-42.....	41,563,379	305,575,000	1,863	347,140,242	11,861,103	28,607,188	306,671,951
1942-43.....	28,607,188	651,954,000	1,035	680,562,223	63,323,012	149,340,515	467,898,696
1943-44.....	149,340,515	482,022,000	297	631,362,812	74,737,335	108,479,383	448,146,094
1944-45.....	108,479,383	499,643,000	1,787	608,124,170	85,797,940	98,255,162	424,071,068
1945-46.....	98,255,162	381,596,000	850	479,852,012	43,860,722	77,491,528	358,499,762
1946-47.....	77,491,528	371,069,000	27,795	448,588,323	29,742,538	67,996,649	350,849,136
1947-48 (⁵).....	67,996,649	282,714,000					

(1) Includes rolled oats and oatmeal in terms of oats (Customs data).

(2) Carry-over at beginning of period plus crop plus imports.

(3) Prior to 1936-37 Canadian Customs figures are used. From 1936-37 to date, oats exports consist of overseas clearances as reported by the Board of Grain Commissioners, plus United States imports for consumption.

(4) Total supply less exports and carry-over at end of period.

(5) Preliminary.

PRODUCTION AND DISPOSITION OF BARLEY—CANADA—CROP YEARS ENDING JULY 31

Crop year	Carry-over beginning of period	Crop	Imports	Total supply	Exports	Carry-over at end of period	Apparent domestic disappearance (³)
	bushels	bushels	bushels	(¹) bushels	(²) bushels	bushels	bushels
1934-35.....	11,093,482	63,742,000	5,630	74,841,112	15,056,873	6,018,787	53,765,452
1935-36.....	6,018,787	83,975,000	2,723	89,996,510	7,675,749	10,234,224	72,086,537
1936-37.....	10,234,224	71,922,000	3,381	82,159,605	17,352,691	4,796,213	60,010,701
1937-38.....	4,796,213	83,124,000	3,151	87,923,364	15,498,760	6,630,934	65,793,670
1938-39.....	6,630,934	102,242,000	1,885	108,874,819	15,820,361	12,804,186	80,250,272
1939-40.....	12,804,186	103,147,000	4,550	115,955,736	10,677,636	12,653,875	92,624,225
1940-41.....	12,653,875	104,256,000	15	116,909,890	2,721,886	10,642,658	103,545,346
1941-42.....	10,642,658	110,566,000	14	121,208,672	2,057,931	10,821,462	108,329,279
1942-43.....	10,821,462	259,156,000	10	269,977,472	33,760,760	69,278,502	166,938,210
1943-44.....	69,278,502	215,562,000	.....	284,840,502	36,103,102	45,949,269	202,788,131
1944-45.....	45,949,269	194,712,000	.....	240,661,269	39,406,518	28,919,181	172,335,570
1945-46.....	28,919,181	157,757,000	.....	186,676,181	4,416,254	29,937,099	152,322,828
1946-47.....	29,937,099	148,887,000	.....	178,824,099	6,903,036	28,636,494	143,284,569
1947-48 (⁴).....	28,636,494	141,451,000	.....	.....	.....	.....	.....

(1) Carry-over at beginning of period plus crop plus imports.

(2) Prior to 1936-37 Canadian Customs figures are used.
Commissioners, plus United States imports for consumption.

(3) Total supply less exports and carry-over at end of period.

(4) Preliminary.

From 1936-37 to date, exports consist of overseas clearances as reported by the Board of Grain

PRODUCTION AND DISPOSITION OF RYE—CANADA—CROP YEARS ENDING JULY 31

Crop year	Carry-over beginning of period	Crop	Imports	Total supply	Exports	Carry-over at end of period	Apparent domestic disappearance
	bushels	bushels	(¹)	(²)	(¹), (³)	bushels	(⁴)
1934-35.....	4,050,207	4,706,000	25,077	8,781,284	1,188,761	3,165,715	4,426,808
1935-36.....	3,165,715	9,606,000	6,650	12,778,365	2,458,715	3,685,252	6,634,398
1936-37.....	3,685,252	4,281,000	15,234	7,981,486	3,949,409	408,864	3,623,213
1937-38.....	408,864	5,771,000	82,797	6,262,661	567,556	1,000,576	4,694,529
1938-39.....	1,000,576	10,988,000	12,334	12,000,910	1,788,647	2,921,434	7,290,829
1939-40.....	2,921,434	15,307,000	12,006	18,240,440	2,823,247*	5,351,661	10,065,532
1940-41.....	5,351,661	13,994,000	4,889	19,350,550	2,042,365	4,919,122	12,389,063
1941-42.....	4,919,122	11,703,000	636	16,622,758	2,845,523	3,353,203	10,424,032
1942-43.....	3,353,203	24,742,000	1,542	28,096,745	2,113,437	15,267,755	10,715,553
1943-44.....	15,267,755	7,143,000	352	22,411,107	8,174,428	5,594,285	8,642,394
1944-45.....	5,594,285	8,526,000	648	14,120,933	6,339,457	2,023,933	5,757,543
1945-46.....	2,023,933	5,888,000	1,028	7,912,961	3,003,290	768,149	4,141,522
1946-47.....	768,149	8,811,000	.....	9,579,149	5,273,811	702,000	3,603,338
1947-48 (⁵).....	702,000	13,225,000	.....	.....	.....	.....	.....

(¹) Includes rye flour in terms of rye (Customs data).

(²) Carry-over at beginning plus crop plus imports.

(³) Prior to 1936-37 Canadian Customs figures on rye exports are used. From 1936-37 to date rye exports consist of overseas clearances as reported by the Board of Grain Commissioners, plus United States imports for consumption.

(⁴) Total supply less exports and carry-over at end of period

(⁵) Preliminary.

PRODUCTION AND DISPOSITION OF FLAXSEED—CANADA—CROP YEARS ENDING JULY 31

PRICES

351

Crop year	Carry-over beginning of period	Crop	Imports	Total supply	Exports	Carry-over at end of period	Apparent domestic disappearance (³)
	bushels	bushels	bushels	bushels	bushels	bushels	bushels
1934-35.....	471,295	910,400	910,996	2,292,691	11,951	312,979	1,967,761
1935-36.....	312,979	1,666,600	883,961	2,803,540	19,361	269,287	2,514,892
1936-37.....	289,287	1,795,300	991,007	3,055,594	178,468	464,967	2,412,159
1937-38.....	464,967	774,600	1,116,374	2,355,941	16,142	219,027	2,120,772
1938-39.....	219,027	1,259,000	878,115	2,356,142	14,280	118,822	2,223,040
1939-40.....	118,822	2,044,000	1,391,667	3,554,489	17,908	583,307	2,953,274
1940-41.....	583,307	3,049,000	176,464	3,808,771	76,113	620,313	3,112,345
1941-42.....	620,313	5,788,000	55	6,408,368	865,427	1,027,040	4,515,901
1942-43.....	1,027,040	14,992,000	849	16,019,889	5,201,933	3,740,121	7,077,835
1943-44.....	3,740,121	17,911,000	276	21,651,397	10,050,072	3,648,642	7,952,683
1944-45.....	3,648,642	9,668,000	1,444	13,318,086	4,327,362	2,932,111	6,058,613
1945-46.....	2,932,111	7,593,000	1,520	10,526,631	377,708	1,649,218	8,499,705
1946-47.....	1,649,218	6,402,700	832	8,052,750	61,446	777,034	7,214,270
1947-48 (⁴).....	777,034	12,240,800					

(1) Carry-over at beginning of period plus crop plus imports.

(2) Prior to 1942-43 Canadian Customs figures are used. From 1942-43 to date exports consist of overseas clearances as reported by the Board of Grain Commissioners, plus United States imports for consumption.

(3) Total supply less exports and end of period stocks.

(4) Preliminary.

PRODUCTION AND DISPOSITION OF CORN—CANADA—CROP YEARS ENDING JULY 31

Crop year	Carry-over beginning of period	Production	Imports	Total supply (1)	Exports (2)	Carry-over at end of period	Apparent domestic disappearance (3)
			(rounded to nearest thousand bushels)				
1934-35.....	(not available)	6,798,000	9,397,000	16,195,000	6,000	(not available)	16,189,000
1935-36.....	"	7,765,000	5,875,000	13,640,000	81,000	"	13,559,000
1936-37.....	"	6,083,000	20,558,000	26,641,000	417,000	"	26,224,000
1937-38.....	"	5,415,000	14,142,000	19,557,000	6,000	"	19,551,000
1938-39.....	"	7,690,000	8,469,000	16,159,000	4,000	"	16,155,000
1939-40.....	"	8,097,000	8,490,000	16,587,000	7,000	"	16,580,000
1940-41.....	"	6,956,000	7,174,000	14,130,000	14,000	"	14,116,000
1941-42.....	2,593,000	13,362,000	5,017,000	20,972,000	19,000	6,887,000	14,066,000
1942-43.....	6,887,000	14,372,000	4,318,000	25,577,000	28,000	1,084,000	24,465,000
1943-44.....	1,084,000	7,775,000	4,721,000	13,580,000	47,000	1,029,000	12,504,000
1944-45.....	1,029,000	11,700,000	2,290,000	15,019,000	186,000	520,000	14,313,000
1945-46.....	520,000	10,365,000	1,671,000	12,556,000	147,000	619,000	11,790,000
1946-47.....	619,000	10,661,000	8,561,000	19,841,000	189,000	1,027,000	18,625,000

(1) Carry-over at beginning of period plus crop plus imports.

(2) Customs exports.

(3) Total supply less exports and carry-over at end of period.

Mr. DYDE: Then, the other document, Mr. Chairman, is the reply to a question raised on pages 46 and 47 of the proceedings, that data be tabled on wholesale flour prices from October 1, 1947 to February 1, 1948. This will be exhibit 18.

The VICE-CHAIRMAN: That should be printed at the commencement of today's proceedings following those we have already mentioned.

EXHIBIT No. 18—Wholesale flour prices, to bakers, October 1, 1947 to February 1, 1948.

EXHIBIT 18

WHOLESALE FLOUR PRICES, TO BAKERS, OCTOBER 1, 1947 TO FEBRUARY 1, 1948

	1947			1948	
	October	November	December	January	February
1. Vancouver	8.65	8.65	8.50	8.35	8.35
2. Edmonton	8.35	8.35	8.20	8.05	8.05
3. Winnipeg	8.05	8.05	7.90	7.75	7.75
4. Saskatoon	8.475	8.475	8.40	8.25	8.25
5. Montreal	8.35	8.20	8.10	8.05	8.05
6. Toronto	8.45	8.45	8.35	8.10	8.10
7. Halifax	8.27	8.17	7.97	7.97	7.69
Simple average	8.37	8.34	8.20	8.07	8.03

NOTE: Above prices are averages of several millers in each city, on sales to bakers. They are prices per barrel (196 lbs.), packed in 2/98-pound cotton bags, and they are subject to varying discounts according to size of order.

1. Vancouver —price per barrel, less cash discount 2 per cent.
2. Edmonton —price per barrel, carlots, cotton bags, less 40 cents in paper bags, cash discount 1 per cent. Add 20 cents per barrel for l.c.l.
3. Winnipeg —price per barrel, delivered to bakery in cotton sacks of 98 pounds each, subject to 10 cents per barrel, cash discount, and to further volume discounts.
4. Saskatoon —price per barrel, small lots, 20 cents per barrel, less on carlots.
5. Montreal —price per barrel, net cash, track; subject to competitive lowering.
6. Toronto —price per barrel, 2-98's, No. 2 patent, cotton bags, cash discount, 10 cents per barrel, paper bags 20 cents cheaper. For large customers, discounts ranged up to 60 cents per barrel.
7. Halifax —price per barrel, 196 pounds, average of 5 millers.

Requested by Rt. Hon. P. Martin, of F. H. Leacy, Prices Branch, D.B.S. obtained by field agents of D.B.S. who telephoned 4 millers in each city, on February 17, 1948.

The VICE-CHAIRMAN: Those are all the preliminaries gentlemen.

Mr. HARKNESS: Did you say there was a table here showing the price of flour?

The VICE-CHAIRMAN: I think I said grain.

Mr. HARKNESS: The reason I was interested in that was I wanted the price of flour to compare it with the price the millers had to pay for wheat.

The VICE-CHAIRMAN: I do not know whether this is adequate for your purpose or not. A copy of exhibit 18 will be in your hands in a minute or two.

Mr. Dyde desires your attention for a minute or two.

Mr. DYDE: Pursuant to decisions which have already been made by the committee, the evidence with respect to bread will be laid before the committee, subject to the committee's wishes, by the calling of evidence from certain retailers and bakers who have been confined to eastern Canada by reason of the fact there is an investigation in western Canada under the Combines Investigation Act. The evidence that they will give will have to be brought out largely by questions and answers.

We have endeavoured, so far as possible, to inform the witnesses before they appear as to the information which, in general, will be asked of them. It

will be unlikely that the witnesses will be able to appear with a brief or statement, and it will be necessary, I think, to ask questions to elicit the evidence the witness are able to give. I propose, with your approval, to proceed with the questioning of the witnesses on that basis, always with the idea that when that evidence has been brought forth in that way the witnesses then may be asked questions by the members of the committee.

There is one other point which, perhaps, I should mention and that is that the witnesses have been summoned to deal with bread. I mention that because some of the witnesses who will be before you in the next few days will be people who are dealing with other commodities, but the notice which went out to them expressly stated that we were confining our attention for the moment to the commodity bread.

Mr. FLEMING: Will that include flour?

Mr. DYDE: No, it did not include flour; that is, certainly for the present witness this morning.

Mr. MacINNIS: Would bread include all the ingredients that go into bread?

Mr. DYDE: I think it will be impossible for the witnesses, certainly some witnesses, to go into that. We will have to call other witnesses, I think, as we go along. For instance, we are dealing with retailers and with wholesalers and it seemed to us that the best way would be to confine it to bread; but that will lead us further, certainly into flour. At least, I say, "certainly" and I say that subject to the wishes of the committee. However, I think it will be difficult for some of these witnesses to answer questions on flour and we will have to get that information elsewhere.

Mr. JOHNSTON: Mr. Chairman, it will not be within the scope of the knowledge of some of these witnesses to reply to questions concerning flour, except for those who buy flour. If they are in the bread baking business, which some of them are, they would certainly be in possession of invoices regarding the price for flour which they have paid.

The VICE-CHAIRMAN: My suggestion in that regard would be this: that the mere fact a question is asked which may not be quite close to bread will not make it out of order in case a witness is able to answer the question. We will have to discover that as we go along. Sometimes you will find a man in retail business, who will be fairly well informed on matters behind his business. In that case naturally, a question to him would be appropriate.

Mr. BEAUDRY: Regarding exhibit No. 16, would counsel be kind enough to give me some explanation as to the difference between table 2 and table 4. The one table gives the average selling price per pound and the other the wholesale bread prices.

Mr. DYDE: I am afraid I am not able to do that. I saw these documents for the first time about ten minutes ago and I am afraid I cannot answer questions on them. They were prepared by the Dominion Bureau of Statistics for the purpose of the committee. If we have to find out what they mean, we may have to recall a member of the Dominion Bureau of Statistics.

Mr. BEAUDRY: Would it not be a proper course to know what they mean before we refer to them, if we have to refer to them?

The VICE-CHAIRMAN: We could hardly get a member of the Dominion Bureau of Statistics here on short notice, and we have witnesses who have been here since yesterday waiting to be heard.

Mr. PINARD: How about exhibit 18 now?

Mr. FLEMING: Would Mr. Dyde indicate the witnesses that he is calling and who they represent?

Mr. DYDE: Yes.

Mr. FLEMING: Would you also indicate the order, so we will have some idea of what is to follow?

Mr. DYDE: Loblaw Groceterias have been asked to appear this morning. As a matter of fact, they were asked to appear yesterday; also General Bakeries and Dominion Stores were asked to appear yesterday. Steinberg's Wholesale Groceteria has been asked to appear on Monday; also Great Atlantic and Pacific Tea of Toronto; and for Tuesday, Dionne Ltd., Montreal, and Pickering Farms from Toronto. I have not gone further than that in summonses but it is proposed, subject to the wishes of the committee, to call further bakers, namely the leading bakeries, Canada Bread, Westons and Christies.

Mr. IRVINE: May I ask, before the witness begins, if we expect to get information from these gentlemen other than the price they have paid for bread and the price at which they sell it?

Mr. DYDE: I think there is additional information which will be of use to the committee that the witnesses will be able to give.

Mr. FLEMING: Just one observation. The list of witnesses, those called and those proposed to be called according to the list Mr. Dyde read suggests what was in the minds of most of us, in other words the idea that we were going to take flour at the same time. There will be some witnesses, of course, who might not be able to give us much information about flour but when we hear the list read I should not think there would be any great difficulty in obtaining information which we require in regard to flour.

The VICE-CHAIRMAN: As I have said, you will find, no doubt, that some witnesses will be informed beyond the immediate question of a loaf of bread. Whenever it turns out that there is an informed witness beyond just a loaf of bread questions will be appropriate. Now are you ready to proceed gentlemen?

Mr. R. G. Meech, K.C., Vice-President of Loblaw Groceterias, sworn:

By Mr. Dyde:

Q. What is your full name?—A. Richard George Meech.

Q. And your occupation?—A. Vice-president of Loblaw Groceterias.

Q. Your address?—A. Fleet and Bathurst Streets, Toronto.

Q. Would you describe briefly the method of merchandising that Loblaw Groceterias follow?—A. In relation to bread?

Q. Yes, or excuse me, I mean more generally. For instance how many stores does the company operate?—A. Loblaw Groceterias operate 115 stores throughout the province of Ontario and conduct a cash and carry system of operation. They try to buy at the cheapest price they can in order to sell at the lowest price possible and consistent with sound business amenities and operations. That cardinal principle of buying as low as possible and selling for as low as possible means that the company has to be aggressively alert to all factors of competition and it seeks out ways and means of controlling its prices to meet demands. Bread, as you know, is the staff of life and a fundamental commodity in the family budget and, it is in consequence, a very competitive article of commerce. In our bread operation we found, over a number of years, to get consistent quality and consistent supply that it was better to deal with a few producers of bread and thus maintain a standard which our customers would at all times find. We, therefore, have bought bread instead of making it and thus we cannot give the information in which some members of the committee have indicated an interest, namely the various prices paid for flour and other ingredients during these past critical months. That information comes to us in

the form of a price. When we get that price—you have a copy of the prices which we paid for bread at the various dates—we then apply a unit of profit and we find a price that is in accordance with competition.

Q. Before coming to that, I wonder if you would complete a few preliminary remarks. You have spoken about your retail store method. You also have wholesale facilities or warehouse facilities, I suppose?—A. Yes, we operate a warehouse where we buy from the primary producer or the manufacturer, and we assemble those commodities in our warehouse and make distribution to our stores through our own trucking operation. It is a complete unit of purchase and service to the ultimate user.

Q. Can you give the committee an estimate of the proportion of your business which is in bread sales?—A. Yes, it is less than one per cent, approximately .82.

Q. Has that been increasing over a period of the last eight months?—A. Yes, slightly.

Q. Has it been increasing both actually and relatively to the other sales?—A. Yes, I would say both.

Q. And of the bread which you sell what proportion, roughly, is the 24 ounce loaf?—A. Approximately 77 per cent.

Q. You do sell other sizes of loaves?—A. Oh yes, we carry miscellaneous varieties.

Q. But the main item is the 24 ounce loaf?—A. Oh yes, it is, fundamentally.

Q. And still speaking of the 24 ounce loaf, that is wrapped, is it not?—A. Yes.

Q. And unsliced?—A. Yes, a very small proportion is sliced.

Q. A very small proportion is sliced. Then may we confine our attention for the minute to the 24 ounce loaf, wrapped, and unsliced. How many brands of that particular type of bread does Loblaw Groceries sell?—A. Three private brands, six other brands, and there are approximately nine in the miscellaneous class which does not represent a great volume such as malt, rye, and hovis.

Q. You have used the word private brand. Would you explain that to the committee please?—A. That is our Loblaw bread, produced for us and sold under our sponsorship.

Q. Produced for you by a baker?—A. Yes.

Q. And the other brands you speak of are what?—A. They are first quality. They are all produced by the same company. As I mentioned previously, the Canada Bread Co. produces our bread with one exception, namely the Dempster Co. The brands that Canada Bread provides are C-B-4, Butternut, Tendercrust, Dr. Hall Brown Bread, Dr. Hall Cracked Wheat, Thrifty and Sandwich.

Q. Have you different names for your private brands?—A. Yes. It is just in the trade name. For instance in Cottage, there are various types, namely White, Whole Wheat and Cracked Wheat.

Q. Are you able to give the committee the relative volume of the private brands to the other brands?—A. Yes. Our own brand, our private brand, represents 53 per cent of our business. The other brands of first quality bread, that is the staple varieties of bread, represent 30 per cent. The miscellaneous types of bread such as malt, rye, hovis, cheese, and specialties represent 16 per cent.

Q. You have indicated that there are different qualities in the other brands, some better than others, I assume that is correct, is it not?—A. Better in the sense of taste, colour, conformation, and elements of that nature, but it would take an expert baker to use the word better in many of these comparisons.

Q. Some are higher priced?—A. Yes.

Q. And without at the minute going into the differences in price, are you in any way limited by the suppliers of the lower priced brands in the amount that is supplied to Loblaws?—A. No, we are not. It is purely a question of our demand and their supply.

Q. And do you in any way limit your buying to the lower priced brands?—A. No, we seek to get as much as our market can meet.

Q. Now, Mr. Meech, I think you have made up a table with regard to the actual cost and selling price, is that correct?—A. Yes.

Q. And you wish to put that before the committee?—A. Yes.

Q. That will be exhibit number 19. Before I ask any questions on that, Mr. Meech, we will have it put in the hands of the members of the committee.

The VICE-CHAIRMAN: This table should be printed in the proceedings at this point, not as an appendix but as though it were spoken evidence.

Mr. PINARD: It does not need to be quoted then, if it is to be part of the evidence.

The VICE-CHAIRMAN: I am sorry I did not get that.

Mr. IRVINE: It does not need to be quoted.

The VICE-CHAIRMAN: No, I am saying this will be printed in the evidence now, as though it were spoken to the reporter.

EXHIBIT No. 19.—Selling price and cost of 24 ounce loaf (wrapped, unsliced)

EXHIBIT 19

SPECIAL COMMITTEE ON PRICES

Selling price and cost of 24-ounce loaf (wrapped, unsliced)
Loblaws Groceries Limited—Toronto and Ottawa

	At 1st Sept., 1947	At 18th Sept., 1947	At 24th Sept., 1947	At 1st Nov., 1947	At 1st Jan., 1948	At 27th Jan., 1948
<i>"Cottage" Brand loaves</i>						
Selling price—per loaf	*7.50c	*7.50c	10.00c	10.00c	10.00c	10.00c
Cost price—per loaf	5.95	5.95	8.45	8.10	9.00	9.00
Gross margin—before de- ducting warehousing or selling costs	1.55c	1.55c	1.55c	1.90c	1.00c	1.00c
<i>Canada Bread loaves</i>						
Selling price—per loaf	10.00c	13.00c	13.00c	13.00c	13.00c	14.00c
Cost price—per loaf	7.45	9.85	9.85	9.36	9.36	10.35
Gross margin—before de- ducting warehousing or selling costs	2.55c	3.15c	3.15c	3.64c	3.64c	3.65c
*Selling price 2 for 15c.						

By Mr. Dyde:

Q. Now, Mr. Meech, would you just give us a few explanatory remarks. I note that you have spoken of Cottage Brand loaves, that is your private brand; and I note that the selling price per loaf on the Cottage Brand is marked as 7.5 cents; and that is the price on September 18—and I note at the bottom of the first section there you have the notation, "selling price, two for 15 cents." That, in fact, is the way it is being sold, is it?—A. Yes, for a number of years.

Q. And I note also that the cost price per loaf is put in on the second line; and I want to clear up one point with regard to that: does that mean what I might call the true cost? Does that allow for applicable discounts, if there are any?—A. That is our true cost.

Q. So that on the first of September, 1947, Cottage Brand loaves of bread cost Loblaws 5.95 cents and you sold them at a price of two for 15 cents?—A. Yes.

Q. And then, at the end of that list, in order to shorten it, on the 27th of January you were selling the same bread at 10 cents and it was costing the company 9 cents?—A. Yes.

Q. And then you have shown the gross margin by deducting those figures in the third line—is that the margin?—A. That is right.

Q. Then you have given what the bread which is supplied by Canada Bread costs you, and you have followed the same system of showing the unit price per loaf at the various states, the cost price—which again is the true cost as you have described it?—A. It is the true cost.

Q. And the gross margin is on the third line?—A. That is correct.

Q. Now, why does the company require a higher margin on the Canada Bread loaves, on the bakers' brands, than on the Cottage Brand loaves, because throughout the table I note that those margins are higher?—A. We could not afford to sell all our bread at the same margin as we sell the cottage loaf. The cottage loaf should not be sold for the best margin because it is not sound business to sell at such a low margin. We only sell a 10-cent loaf because of competition.

Q. There is still a matter I wish you would clear up for me: whether private brands or other brands are what are known in the trade as a fast-selling line?—A. Yes.

Q. There is a fast turnover?—A. Very fast.

Q. Am I right in this, that your endeavour is to get in in the morning the bread which you think you can sell during that day?—A. That is right.

Q. And you estimate the amount and your estimate may not be correct, but over a period of time you will probably be fairly accurate in measuring the daily demand?—A. That is right.

Q. So that there is on carryover for any period?—A. Very small.

Q. And may I then ask you whether there is any difference in handling the Canada Bread loaves than there is in handling the Cottage Brand loaves?—A. No, comparatively none. Naturally, the bigger volume is in the Cottage Brand, the 10-cent loaf which requires more handling and more space.

Q. You say it requires more handling and more space?—A. Just on account of the volume.

Q. And it has the lower margin of the two prices?—A. Yes.

Q. I would like to ask you if you can give us this information: how do margins on bread which you have told the committee is a fast-selling line compare with margins on other fast-selling products in your store?—A. It would be smaller.

Mr. JOHNSTON: What was the answer, please?

The VICE-CHAIRMAN: The bread margin would be smaller than the margin on other fast-selling lines.

By Mr. Dyde:

Q. Could you give us any examples?—A. Jam would be one.

Q. Do you count jam as a fast-selling line?—A. In total volume, yes it is essentially a fast-selling line.

Q. Could you name any other fast-selling lines?—A. All sorts of canned goods.

Q. To my mind, Mr. Meech, there is a difference which, perhaps, you could explain between canned goods and bread in that canned goods may stay on your shelves for some time; is not that so?—A. Oh, yes.

Q. Well then, do you still regard it as a fast-selling line?—A. That is question of type. Some brands move very fast.

The VICE-CHAIRMAN: Excuse me just a moment. I think the members of the committee at the far end are having difficulty in hearing you. Your voice probably is not as loud as it should be for this room.

The WITNESS: Thank you, Mr. Chairman; I will try to correct the difficulty. What was the question?

The VICE-CHAIRMAN: You were answering and explaining why you considered canned goods a fast-moving line although they would probably stand on your shelves for quite a while. You were explaining why you considered them to be a fast-moving line.

The WITNESS: Canned goods are purchased in large volume. Many units are purchased at a time, with the result that the turnover is very quick; and in order to meet that turnover you have to have well-stocked shelves so that you can keep the canned goods on the shelves and seemingly they stay there but in reality if you were to service them as you would bread you would have to service them every day. It would be sold out. It is a different operation. One is on the anticipation basis and the other is on the basis, the principle that bread must be strictly fresh.

Mr. PINARD: Could you not give us a better comparison than that; for instance, tea or coffee?

The WITNESS: Coffee is very fast selling.

Mr. BEAUDRY: Could the witness give us a comparison with any comparable perishable goods?

Mr. HARKNESS: Would green vegetables be a closer comparison?

The WITNESS: Yes, they would.

By Mr. Dyde:

Q. How does the margin compare as between green vegetables and bread?
—A. Much higher.

Q. It would be much higher?—A. On green vegetables.

Q. Perhaps you might give the committee a short list of the things that you regard as fast selling. Would you do that, Mr. Meech?—A. Yes. Well, gentlemen, we would regard as fast selling, biscuits, canned goods and vegetables—this takes up an enormous number of varieties—canned fruits—which also have many varieties; baby foods, which have many varieties; sugar, peanut butter, tea and coffee. Then there are the seasonal lines such as at Christmas time, nuts, shelled and in the shell; dried fruits and household supplies such as cleansers and so on.

Q. You have not included fresh fruits and vegetables in that, do you want to?—A. Yes, fresh fruits and vegetables.

Mr. HARKNESS: What about frozen fruits and vegetables?

The WITNESS: Yes, although that is not a fast turnover.

Mr. MACINNIS: What about fresh meat and fish?

The WITNESS: There is a very fast turnover in meat.

Mr. MAYHEW: You said peanut butter, you did not say anything about butter.

The WITNESS: Butter, of course, has a very rapid turnover.

Mr. MACINNIS: Yes, so fast you can't see it.

Mr. DYDE: What were you going to say?

The WITNESS: I was going to observe that butter might not be so fast with things as they are now.

Mr. LESAGE: What about milk, that compares with bread?

The WITNESS: Yes.

Mr. PINARD: What about eggs?

Mr. LESAGE: What is the gross margin on milk?

Mr. FLEMING: You are getting away from bread.

The VICE-CHAIRMAN: Except for purposes of comparison. I suggest you leave the question for the moment. I think counsel is going to ask for comparisons of margins on some of these others. The reason for getting this was for comparison, and if something is left out you can get it afterwards.

Mr. LESAGE: I will withdraw my question.

By Mr. Dyde:

Q. You have given us a considerable list. Would you compare the over-all margin on bread with the over-all margin, say, on milk?

Mr. FLEMING: Is that per unit?

The VICE-CHAIRMAN: I presume so.

The WITNESS: Milk has a very much smaller margin than bread. The over-all margin on bread is 17·9.

By Mr. Dyde:

Q. Stop there for a moment. As to that 17·9 you are taking into account the fact that on some of your brands it is 10 per cent and on other brands it is 25 per cent or thereabouts?—A. That is right.

Mr. LESAGE: Twenty-six to be exact.

By Mr. Dyde:

Q. Can you compare the margin on bread with the over-all margin on, let us say—

The VICE-CHAIRMAN: Milk.

Mr. DYDE: He has already mentioned milk.

The VICE-CHAIRMAN: Not the amount. He just said one was higher than the other.

The WITNESS: I have not got exact figures, but it is very small, and I would say just as a matter of suggestion for you it would be about 5 per cent.

By Mr. Dyde:

Q. Can you give us the same comparison with regard to butter?—A. Five to 7 per cent.

Q. Can you give the same comparison with fresh meat?—A. Gentlemen, I would really feel I would rather consult our records before giving you meat. As you know it is a very fluctuating commodity, and it might be misleading for me to give you an estimate of what I think.

By the Vice-Chairman:

Q. Could that be sent in?—A. I beg your pardon.

Q. That could be sent in?—A. It could be sent in.

Q. By letter?—A. Yes.

The VICE-CHAIRMAN: I am sure the committee would desire that I ask the witness to do that, please.

By Mr. Dyde:

Q. Mr. Meech, I think there is a correction to be made in exhibit 19 which I overlooked calling your attention to when the exhibit was put in. Perhaps the members of the committee might put that exhibit before them. I think there is an addition to be made with reference to Ottawa, is there not?—A. Yes, there is.

Q. Would you say what that is?—A. The Ottawa price should be 13 instead of 14.

Q. At what date?—A. At January 27th.

Q. So that the 14 cent item under Canada Bread loaves is for places other than Ottawa, is it?—A. Yes, Toronto.

Q. Is that chiefly Toronto?—A. Yes.

Q. And in brackets immediately after that we should put "Ottawa, 13 cents". Is that correct?—A. That is right.

Q. Do we change the cost price?—A. Yes, 9·45.

Q. So that immediately under the Ottawa figure we put 9·45. Is that correct?—A. Yes, 9·45.

Q. And the subtraction gives us?—A. 3·55.

By the Vice-Chairman:

Q. The gross margin in Ottawa is 3·55 and elsewhere 3·65?—A. Toronto.

Q. Only Toronto?—A. It would be better to add with the exception of two or three municipalities that would be the price.

Mr. JOHNSTON: Exhibit 19 refers specifically to Toronto?

Mr. DYDE: Toronto and Ottawa in the heading, but there is a difference when we come to that particular item under January 27 in the heading, "Canada Bread loaves".

The WITNESS: I might add that Brockville and Cornwall also sell at 13 cents.

By Mr. Dyde:

Q. So that last column should be headed Ottawa, Brockville and Cornwall?—A. Yes.

Q. I should like to pursue one or two other items for comparison of the margin on bread and these other items. We have mentioned fresh fruits and vegetables. Are you able to give a comparative over-all margin with regard to them?—A. To be safe I would say the mark-up would be 27 per cent to 32 per cent.

Q. When you refer to the mark-up being 27 per cent to 32 per cent is that on the selling price?—A. Yes.

Q. Your practice in giving percentage margins is to take it on the sale price?—A. On the sale price.

By Mr. Fleming:

Q. Would you clear up a point on this spread, 27 per cent to 32 per cent? Does that represent different margins on different kinds of vegetables or is that the spread over a period?—A. It would be the average of all. Some items have a much higher mark-up than 32 per cent. I am trying to get a safe over-all margin without actually looking at our figures.

Q. The idea of the spread is to give an approximation?—A. Approximation only.

Mr. DYDE: I might say in explanation Mr. Meech was perhaps not fully warned as to this line of questioning, and he has not got the exact figures here. He is having to give estimates.

The WITNESS: We have a fruit and vegetable man who would be able to give specific percentages if you care to have them, and if the committee would like him to be produced.

The VICE-CHAIRMAN: The fruit and vegetable inquiry is by no means ended.

By Mr. Dyde:

Q. Mr. Meech, still speaking on a comparison of sales can you say what the over-all margin on all sales of the company was at say, the first of August, 1947? Can you give that information?—A. It would be about 17 $\frac{3}{4}$.

Q. About 17½ per cent?—A. Yes.

The VICE-CHAIRMAN: What date?

Mr. DYDE: August, 1947

By Mr. Dyde:

Q. Can you give us the same figure for say, October, 1947?—A. No. It would be less but I have not the figures.

Q. But you could supply them?—A. Could supply them.

Q. And will you do so?—A. Yes.

Q. And will you supply the figure, if you cannot do it now, for January, 1948?—A. Yes.

Mr. FLEMING: Could he say if it would be less?

By the Vice-Chairman:

Q. Mr. Fleming is asking if you would say that in January, 1948, it would be less, or that you cannot supply the figure or— —A. I would say yes, but January is so recent that I would prefer to send that question in specifically.

Mr. MACINNIS: I was going to suggest that the witness gave canned fruits as a fast-moving commodity in comparison with bread. Can he give us the mark-up on that?

The VICE-CHAIRMAN: I think what counsel is going to do is to take them up one after another.

Mr. MACINNIS: I though he might have overlooked that.

The VICE-CHAIRMAN: You are quite right in raising it, anyway.

By Mr. Dyde:

Q. Are you ready with an answer for Mr. MacInnis' question?

The VICE-CHAIRMAN: You did not understand it was a question. I said to Mr. MacInnis I understood you, Mr. Dyde, were going to draw these out one after another.

Mr. DYDE: I beg your pardon. The item you mentioned was canned fruits.

Mr. MACINNIS: Canned goods. We might have it separated, canned fruits and canned vegetables.

By Mr. Dyde:

Q. Can you draw a comparison first with canned fruit?—A. It would be 20 per cent or less.

Q. Canned vegetables?—A. Yes.

Q. The same, 20 per cent?—A. The same.

Q. Or less?—A. Or less.

Q. Canned soups?—A. There are so many brands, so many different manufacturers, that I would prefer to send that in.

Q. You will send that?—A. We will send it in.

Q. When you are sending in the list, Mr. Meech, I suggest that even though you have answered here your answer has been an estimate and you might send it in on all these articles even though we are getting an estimate at the moment.—A. Yes.

Q. Baby foods?—A. There are four different brands in baby foods, and they vary greatly.

Q. Can you give us a low and high figure?

By Mr. Mayhew:

Q. Why should your margin of profit be different on different brands?—
A. Some are in demand by the housewife and have a preference, and the manufacturers feel they have a product that is worth a little more than someone else's product.

Q. That would not account for the difference in your spread, would it?—
A. Well, there are different grades. It costs them more to pack it. Some are fast moving, others are slow moving. Costs are different. We cannot control our costs in the purchase of these various brands.

By Mr. Dyde:

Q. Can you now give a general percentage with regard to baby foods?—
A. It would seem to average about 20 per cent for baby foods.

Q. Sugar?—A. About 10 per cent.

Q. Peanut butter?—A. That is our own manufacture, and I would prefer to send that in on the basis of our cost.

Q. Tea and coffee?—A. There again, I would prefer, instead of making any estimate, to give you the actual figures rather than just giving my own calculation.

Q. I have a note here which I find it hard to read myself, household goods, is that it?—A. Household supplies.

Q. Household supplies?—A. That is a multitude of commodities which would average around 20.

By Mr. Harkness:

Q. That would include soap?—A. No, not soaps.

Q. What would it include?—A. It could include soaps; household supplies, cleansers, javelles, drain cleaners and floor wax.

By Mr. Dyde:

Q. You mentioned seasonal lines; that may be difficult for you at this minute, too.—A. There would be nearly 100 different lines in that item.

Q. Would you select some and send them in?—A. We would select the fast moving seasonal lines and send you in the over all mark-up.

Q. A member of the committee mentioned eggs; could you draw some comparison there?—A. There again, on eggs, we are very particular about our eggs. I should like to send the committee the information on the basis of our actual costs.

Q. You will do so?—A. We will do so.

Q. The only other item I have now is biscuits?—A. Biscuits would be in the neighbourhood of 30 per cent.

By Mr. Fleming:

Q. Are they fancy biscuits or crackers?—A. Fancy biscuits; it would include all kinds to arrive at that price.

Q. It would include soda crackers?—A. It would include the ordinary soda cracker and the fancy coated wafer.

By Mr. Homuth:

Q. 30 per cent would include breakage and everything?—A. Oh, yes.

By Mr. Lesage:

Q. Is the margin on biscuits sold by the pound the same as for biscuits sold in boxes, fancy?—A. The margin would not vary. We sell all our biscuits on a package basis.

By Mr. Pinard:

Q. How about mayonnaise?—A. It is a slow mover.

The VICE-CHAIRMAN: These various commodities were introduced by counsel for the purpose of getting some ideas of comparisons between these margins. Probably we should return to bread, now.

By Mr. Dyde:

Q. Would you return to exhibit 19, Mr. Meech? I should like to ask why your company requires a higher margin of profit on the Canada Bread loaves than on the Cottage Brand loaves?—A. We simply could not operate on a basis of 10 per cent mark-up and the other has to balance. We find that that commodity sells in our neighbourhood stores at that figure. We see no reason why we should under-sell that figure.

By Mr. Merritt:

Q. Could I intervene with a question at this point? We are concerned with the rising cost of living. I see that, in the same store, there will be a line of bread at 10 cents and another line of bread at 14 cents. You can get three loaves of Cottage Brand bread for approximately the same price as two loaves of Canada Bread. Leaving out all questions of margin, why in the world are people prepared to buy a 14 cent loaf when they can get one, almost off the same shelf, at 10 cents?—A. It is like selecting a rose. You pick a rose for its own qualities and beauty. You pay more for one than you do for the other. In bread, you can form a taste for bread and you will pay more for the bread that you like. It is the presentation in its wrapper; its consistency when cut; its absence of flakiness when you cut it, and all the other elements which the baker's art has produced. You make it on an individual selection basis, so that you will pay 14 cents for Mr. Jones' bread when you will not pay Mr. Smith the same price for his bread.

Q. Yes, you consider your own Cottage Brand a satisfactory brand of bread to eat—A. And many customers do, as well.

Q. You do, yourself?—A. Personally, I do.

Q. Yet people are prepared to pay 40 per cent for a different brand under present conditions?—A. Do not forget, they have to come and get it and carry it away.

Q. They do with the Canada bread, too?—A. Yes, they do in all our stores.

By Mr. Fleming:

Q. Just one question on that point. Could we have the figures on the volume of the two kinds of bread handled in the stores in Toronto and Ottawa?—A. I gave that.

Q. I did not understand you gave the exact figure?

By Mr. Dyde:

Q. Is that correct, it is 53 per cent private brands and 30 per cent other brands of first quality?—A. Yes.

By Mr. Fleming:

Q. That is what you meant by "private brands"; you are relating that to the two names we have on the exhibit, 53 for Cottage Brand and 30 for Canada Bread?—A. That is right.

The VICE-CHAIRMAN: Following up Mr. Merritt's remarks, one person in three is willing to do what Mr. Merritt thought no person would do; 53 per cent buy the 10 cent loaf and 30 per cent buy the other.

By Mr. Dyde:

Q. In that connection, will you tell the committee whether you have any special contract with Canada Bread for this bread? Have you any special contract with that company, not just for the purchase and sale of bread, but any special contract at all with that company?—A. None whatever. If Canada Bread had not produced a loaf we could sell for 10 cents, we would produce it ourselves no matter what the cost.

Q. You have, I suppose, day-to-day orders; that is what I want to bring out, whether you have anything else in addition to the day-to-day orders to Canada Bread for bread?—A. That is right, based on our daily wants.

Q. No other type of contract between Loblaw Groceterias and Canada Bread?—A. None whatever.

Q. Now, turning again to exhibit 19, Mr. Meech, and to the items under Canada Bread; I notice that at the 1st of September there was a margin of 2.55 cents, and that on January 27 in Toronto, there was a margin of 3.65 cents. Will you please explain to the committee why that margin has increased?—A. The reason for that difference is that our costs have increased.

Mr. LESAGE: Would you speak a little louder, please.

By Mr. Dyde:

Q. He said, "Our costs have increased"?—A.—to us, by reason of the baker being forced to pay more for his ingredients and supplies, and when the dealers in bread of this quality throughout the city of Toronto sell that loaf for 14 cents, we see no reason why we should under-sell them when the mark-up to us is relatively the same as when we were selling it at 10 cents.

By Mr. Beaudry:

Q. Has there, in fact, been any increase in the percentage of mark-up?—A. A half of one per cent increase.

Mr. FLEMING: May I suggest we put these percentage of mark-up figures on the record? We have the information in exhibit 19, but not in terms of per cent per loaf. Probably Mr. Wilson could give us those figures if they are not already available.

The WITNESS: If you will put another line beside selling price, 2 for 15—

By Mr. Dyde:

Q. Can you fill that in now for us, Mr. Meech?—A. Yes.

Q. Under the 1st of December, 1947, we are dealing with Cottage Brand loaves, what would the figure be there?—A. 20 per cent.

Q. In the next column the 18th of December?—A. 20 per cent.

Q. Go on from there?—A. 15.5.

Q. Yes.—A. 19; 10 and 10.

Mr. JOHNSTON: On the next line, too, could that be done?

By Mr. Dyde:

Q. Yes, we will do it for the Canada Bread loaves?—A. Canada Bread on the 1st of December, 25.5; 24.23; 24.23; 28; 28; 26, and for Ottawa, 27.3.

Mr. JOHNSTON: Probably, too, counsel could look under the item at the 1st of November, 1947, for Canada Bread loaves and he will see there is quite a rise to 28 per cent. Perhaps he could find out the cause of that?

By Mr. Dyde:

Q. The figure to which Mr. Johnston is referring, Mr. Meech, is under November 1, 1947, and under Canada Bread, which moved from 9.25 to 9.36?—A. And the margin moved too.

Q. At the same time the margin moved from 3.15 to 3.64, or 24.3 per cent to 28 per cent?—A. Well, the only explanation for that is we felt we were not getting enough for handling bread. We asked for more and we negotiated with our bakers. As you see, it finally ended up in a victory for the bakers because when we came to the 27th of January our mark-up then became 26 per cent.

By Mr. Johnston:

Q. I thought you said or inferred in the first part of your remarks that you were selling Cottage brand for less than you should have and therefore you raised the price of Canada Bread loaves higher so it would make an over-all decent profit?—A. Yes, that is right.

Q. Then you were inferring your sudden rise on November 1, 1947, up to 28 per cent, was in effect to cover your losses under the Cottage brand loaves?—A. Well not specifically under the Cottage brand loaves, it would be in our general operations. We do not look on any one item or commodity as the source of the company's security, we look at the over-all picture. Where we are forced to sell at a low price then we look around in other fields to see if our prices should not, in the comparative set-up, be altered. We go about it not by increasing prices to the consumer which would meet with decline in sales, but we go about it by approaching our suppliers. There are throughout the year many fluctuations in our costs just by those various pressures that have to be exerted to carry out our general policy of buying at the cheapest possible price for the quality we demand.

Q. I would have thought on that date when your cost price was lessened, that in itself would have made you an increase in profit and therefore you would not have to add to or raise prices?

Mr. HARKNESS: They did not raise the price.

The WITNESS: Our price remained stationary.

Mr. JOHNSTON: Yes, but your percentage of profit rose.

By Mr. Dyde:

Q. It rose there, Mr. Meech, and at the same time your percentage of profit was also raised on the Cottage brand, that is from what it had been on September 24?—A. Yes.

Q. So that both in actual dollars and in percentage your margin rose for both qualities of bread at the same date?—A. At the same time.

Q. Now have you an answer for that, as to why it should go up on both because previously you were speaking of a compensation with regard to Canada Bread loaves? That is the margin on Canada Bread was reduced and you had to compensate for that on your Cottage brand?

The VICE-CHAIRMAN: I have to go to the minister's office right away and I am going to ask Mr. Fleming to occupy the chair until I get back.

(Mr. Fleming assumes the chair.)

By Mr. Beaudry:

Q. Do you say this is a very competitive operation which cannot be passed on to the consumer because of the fractional unit change in cost?—A. No, on account of the price that was being demanded by all stores, our competitors.

Q. Yes, but I also notice the decrease was roughly $\frac{1}{3}$ of a cent between the cost on the 24th of September and the 1st of November, whereas the sale price remained in both cases at 10 cents?—A. Yes.

Q. Would you say it is practical as an operation, or that it is possible to pass on to the consumer the difference in cost to you of $\frac{1}{3}$ of a cent? Can it be done in the normal course of merchandising?—A. Yes, but we did

not want to change the retail price of 10 cents and the only way we could get more of a mark-up on that bread was to go to our producer and get a lower cost, which we did in both our own Cottage brand and the Canada Bread brands.

By Mr. Dyde:

Q. Now, in answer to a question a few moments ago with reference to that particular date, November 1, 1947, you stated there was as a negotiation by yourselves and the bakers? Was I correct in receiving that answer?—A. Yes.

Q. Now will you explain that negotiation and what took place?—A. I did not take part in that negotiation, Mr. Chairman. Our buyers are constantly in contact with our suppliers, they have daily contacts with them and I cannot tell you just what took place.

Q. Well, I am just trying to clear this in the minds of the committee and in my own mind. You used the word negotiate and I was wanting you to explain that. Was that a negotiation that took place as between the responsible officers of Loblaw Groceries and Canada Bread?—A. I would say the word "negotiation" is a little too important a word in this instance. This would be a mere technical adjustment on the part of our operator with our suppliers and it happens in many lines of merchandise hundreds of times throughout the year. It would not be any formal negotiation where we would say to Canada Bread through any of our officers that "we want this or else," or "we demand this." It would not be on that footing at all. This is on the footing of an adjustment and if our suppliers can meet with our wishes they tell us so and if they cannot they tell us too, and we go along. There would not be any such thing as a negotiated price.

MR. PINARD: Would it be as a result of an exchange of correspondence or a telephone call?

THE WITNESS: In all likelihood it would be a telephone call.

MR. JOHNSTON: I think this is an important point because the people in the country have been given to understand costs have been going up and raising prices, yet here is an instance where the cost of this article to the company, to Loblaw, was actually decreased but the sale price remained the same. I think it would be well if counsel took note of this in order to see what further investigation along that line might be necessary.

THE ACTING CHAIRMAN: Perhaps the witness may wish to make some comment on the point?

MR. BEAUDRY: May I ask a question which would have some bearing?

THE ACTING CHAIRMAN: I think Mr. Meech should be given an opportunity of commenting on the point Mr. Johnston has made which is, that although the cost to Loblaw in November and January of the Canada Bread loaf showed a reduction as compared to the cost at September 24, the price remained constant to the buyer.

MR. BEAUDRY: I think my question would perhaps help the witness to give the answer.

THE ACTING CHAIRMAN: You can follow with your question, Mr. Beaudry. Now, Mr. Meech, do you wish to make any answer?

THE WITNESS: What was the question?

THE ACTING CHAIRMAN: Mr. Johnston is pointing out the price to the public remained constant for the Canada Bread loaf during September, November and January, although the cost to the company was reduced by .49 cents a loaf in January as compared to September last.

MR. JOHNSTON: There is the same relation with respect to the Cottage loaf?

THE WITNESS: It was only our desire to get more of a return on this tremendous volume of business. We felt that we were not making sufficient mark-up on that product.

Mr. JOHNSTON: My point went further. I thought I was drawing to the attention of counsel the fact that this negotiation resulted in a lower price to the producer of bread at a time when everybody was given to believe wages and salaries were increasing costs. The producer was able to lower his cost and at the same time the selling price of the commodity remained constant. I thought that was a point counsel might take under consideration for further investigation if it was necessary.

The ACTING CHAIRMAN: No doubt Mr. Dyde has the point in mind.

Mr. BEAUDRY: I do not know whether I should put this in the form of a question, but very roughly I had noticed the figures on Cottage brand loaves. Whereas the spread between September, 1947, and January 27, 1948, on the cost price of the loaf is 51 per cent, the spread in selling price is only 33½ per cent?

Mr. DYDE: Do you wish to make a comment on that Mr. Meech?

The WITNESS: I would like to make a comment on the earlier question about the cost of 8·10 on November 1. You will notice on November 1 our mark-up was 19 per cent, whereas on September 18 it was 20 per cent, and on September 24th it was 15 per cent. So we were conscious at that time, on September 24, that we were not getting sufficient return on this volume of business and our buyer was made aware of that and we simply asked for further consideration. That is how these matters are dealt with frequently and customarily.

Mr. PINARD: In other words you did not consider the mark-up of 15·5 per cent sufficient?

Mr. BEAUDRY: Mr. Chairman, I think we are dealing with Loblaw Groceries as a retail instrument of sale and no further, but I think it should be pointed out that in one case, in the case of Cottage brand loaves, the cost price increased by 51 per cent and the selling price to the consumer only increased by 33½ per cent. In the case of Canada Bread loaves the cost increased by 39 per cent and the selling price increased by 40 per cent. In other words the selling price from the retailers' point of view in one case followed very closely the cost price; in the other case it did not follow the cost price or induce the retailer to decrease proportionately the price to the consumer.

The ACTING CHAIRMAN: You have made your calculation on the basis of change as between September 1 and January 27 and your statement would also have to take into account all the intervening fluctuations.

Mr. BEAUDRY: Yes, definitely, but I am pointing out the spread between September 1 and January 27.

Mr. LESAGE: I have one question. Mr. Meech, you just said in answer to a question put by Mr. Pinard that you considered on September 24 that your average margin, gross margin, of 15·5 per cent and 24·23 per cent, which would be about 20 per cent altogether, was not sufficient. That is why you negotiated to obtain a reduction in the cost which procured a gross margin of 19 per cent and 28 per cent, which means altogether a profit of 25 per cent. If, at November 1 you felt that an over-all profit of 25 per cent was necessary how is it that now you feel an average profit of 17·6 per cent is sufficient?

The ACTING CHAIRMAN: Mr. Lesage, may I ask you how you arrive at these percentages?

Mr. LESAGE: No. I think he should answer the question.

Mr. BEAUDRY: I do not think the percentage figure is correct; the 15·5 applied to the percentage of sales—

Mr. LESAGE: Just a moment.

The ACTING CHAIRMAN: The witness will have to know how the average is arrived at.

Mr. LESAGE: I took both and I divided them. One would have to take the volume in each instance to arrive at the average. I admit that.

The WITNESS: Yes.

By Mr. Lesage:

Q. I think you said your average was 17·6 per cent on January 27; could you tell us what it was on November 1?—A. What was your last question, Mr. Lesage?

Q. You told us about half an hour ago that the average gross margin on bread was 17·6 per cent on January 27.—A. Yes.

Q. Could you tell us what it was at November 1?—A. We could not give you that off hand, there is such a fluctuation in all types of bread that we cannot give you those figures here. There are a number of miscellaneous brands.

Mr. DYDE: You will be able to do it, you could get those figures for us? You supplied it for January 27.

The WITNESS: We were asked to do that.

Mr. LESAGE: I was asking you if you could do it, I did not mean if you could do it this morning.

The WITNESS: Oh, we can do it.

Mr. LESAGE: Could you have it for Monday morning, and for every commodity mentioned here?

The WITNESS: The November 1, over-all average.

Mr. LESAGE: For the commodities which you have given here.

The WITNESS: The over-all average for each column. That is all right.

By Mr. Johnston:

Q. I would like to have the witness give us this information: on the cottage brand loaves his opinion was that 15·5 per cent of September 24 was not sufficient and it was therefore necessary through negotiation to raise it to 19 per cent covering that period?—A. Yes.

Q. Now then, if that were true, why was it deemed advisable then to drop it down to 10 per cent in the following two months?—A. It was not deemed advisable, we had to. In order to sell that loaf, in order to get it at all, we simply had to pay the price of 9 cents. We had no alternative.

Q. And that forced your margin of profit down?—A. Yes. We do not think it is good business to sell that loaf at 10 cents, but there is business that we have to contend with.

Q. Just following that question up, you will notice on the Canada Bread loaf on the 27th of September your profits, your margin of profit was 24·23. Now, I assume that you considered that was not sufficient so you raised it on November 1, to 28 per cent for exactly the same reason?—A. That is what we indicated for the other types of bread.

Q. And for exactly the same reason as applied to other types of bread?—A. Yes.

Q. Then you will notice that on January 27 it was reduced back to 26, therefore you were taking less profit there than you thought you should?—A. Not voluntarily.

Q. Not voluntarily, but in most cases you are taking less profit now than you think you should?—A. Yes, we are.

Q. Would that not endanger the over-all picture of the sale of bread?—A. Oh, no.

Q. To the point almost where you might find as soon as the opportunity presents itself that you must get a higher cost price than that?—A. Not necessarily.

Q. I could not come to any other conclusion, Mr. Chairman; maybe I'm wrong.

Mr. MAYBANK resumed the chair.

The VICE-CHAIRMAN: He says your conclusion is wrong. He is on the point of expressing what he thinks are the reasons.

Mr. JOHNSTON: I am waiting for that.

The VICE-CHAIRMAN: If you just wait a moment.

The WITNESS: Our margin on the 27th of January for Canada Bread was 26, and it was 28 on January 1, and the same on November 1. We would have liked to have got that same margin of 28 on January 27.

By Mr. Johnston:

Q. Would you consider 28 per cent profit on Canada Bread loaves as being safe?—A. Yes.

Q. And what would your sale percentage be on cottage brand loaves?—A. The per cent on cottage is not an arbitrary percentage, it is a percentage which fluctuates—we try to keep the over-all price at 10 cents to the consumer. And it may be that that 10 cent loaf is going to be sold permanently—it might in fact be sold at cost.

Q. Would it be the natural conclusion then to suggest that as soon as conditions warrant there will of necessity have to be another increase in the price of bread over and above the ones you have taken?—A. I prefer to ask the bakers that question, that is prophecy and I would not like to hazard an opinion on that.

Q. I do not think my remark has anything to do with the bakers. It is your own position I am trying to get at, because if you contend that 28 per cent is a fair profit in regard to Canada Bread loaves and that 19 per cent is a fair profit in regard to cottage brand and that now you are selling at less than that, that of necessity means that you will require an increase in the price of loaves as soon as opportunity affords?—A. If we related our business strictly to bread, but we do not. We do not deal in our business with just one item, bread. We might get out of line in our mark-ups on many commodities in order to meet the price that is required by consumer demand.

The VICE-CHAIRMAN: You may follow the old adage of deciding to make money on the springs because you are losing on the merry-go-round.

The WITNESS: The round-about.

By Mr. Mayhew:

Q. On what date did you stop selling your cottage brand two loaves for 15 cents? There is no indication here?—A. September 24.

Q. On January 1 there was a spread between your bread and Canada Bread of 2 cents; on January 27 there was a spread of 4 cents between the two. Did your 53 per cent change come into that? You would think that people would wish to get the larger volume of the lower priced bread.—A. Yes, that is the fact, it is an increase.

Q. And you say that you are selling 53 per cent of the Canada Bread loaves?—A. Yes.

By the Vice-Chairman:

Q. Now, Mr. Meech, quite independent of these margins of profit and that sort of thing that you have been dealing with, what disturbs me and what I think disturbs every member of the committee and certainly it is disturbing every housewife in the country is that in five months there has been a 25 per cent increase in the staff of life if they buy the one kind of bread from you

and 40 per cent if they buy the other. You indicate that as far as any of this price increase is concerned that it is not due to any action by you at all, that the cause if it lies further back?—A. Quite.

Q. Well, would it not be in the public interest for you actively to push the line which is selling at 10 cents on which you take a smaller margin of profit? I do not say it would be in your interest, but would it not be in the interest of the public if attention could be drawn to the fact that they could get that bread for 10 cents—a 25 per cent increase—though there would be less profit to you than on the other?—A. Yes, it would be, to a point. If we were to push our sales on cottage bread to the exclusion say of the other types of bread we sell how long would we be able to sell the 10 cent bread; in other words, could the supplier subsist? I doubt it.

Q. Well, as far as you are concerned this item with which we are dealing is a very small part of your business. You mentioned a percentage somewhat earlier of .82 per cent, wasn't it?—A. Yes.

Q. Bread with you represents .82 per cent of the Loblaw business, and as far as you are concerned it does not make very much difference to you in your total business if you, say, attempt to sell it at cost, and even if you left off that cent of profit. That is true, isn't it?—A. Yes.

Q. Your concern is that if that were done it would result in the sale of Canada Bread, as illustrative of such baking concerns generally—it would result in their not being able to get along. Is that right?—A. Yes, that would be right.

Q. You think that if bread were sold at the 10 cent figure—at the 9 cent figure so far as they are concerned and 10 cents so far as you are concerned—that that would throw the other people out of business?—A. Well, it is my view that they could not subsist and sell at that price to everyone.

Q. You see, the sale of bread is but a small part of your business but it is a very large part of the suppliers' business? Is it not?—A. Yes.

Q. How many loaves of bread would you estimate from your long experience in the retail business or trade would the average family use, let us say per day. I am sure you must have estimated that at some time?—A. I would suggest that the Bureau of Statistics supply that information for you, Mr. Chairman.

Q. Well, I thought possibly you might have had such a figure in your head, but it is perhaps only natural that you should not. I just wanted to point out the gravity of it. I am not striving either to fix any blame on anybody—there may be no blame to be fixed. I have no desire to smear anybody, but the importance of this staff of life in the housewife's economy is certainly very great.

Mr. MacINNIS: Might I ask a question on that, Mr. Chairman?

The VICE-CHAIRMAN: Yes.

By Mr. MacInnis:

Q. The Chairman referred to the fact that bread being a small part of your business you might sell it at cost and thus make a saving to the housewife. Is it not a fact that if you did that, taking the whole of your business into consideration, that you would have to add something to the price of something else so that ultimately the housewife would not be any better off?—A. Yes, and one of the basic policies of our company is not to try to feature items of that nature to attract business. We have had experience over the years and we like fair competition, and the proof of that is that independent grocers, fruit dealers and meat men come right alongside of our stores and do a thriving business. If we were to sell items like bread and to sell only one type of bread and not give our customers all types they might want to buy it would be an unfair practice to the general food trade. And you might say, why don't we

put in big display ads about the 10-cent bread? We do not do that for two reasons. It disturbs the over-all economy of distribution of food products for an organization to take out and to feature an item that someone else may not be able to procure in sufficient volume to sell.

Mr. MACINNIS: That is what is called a loss leader, is it not?

The VICE-CHAIRMAN: When you sell at cost or below.

The WITNESS: When you sell at cost it is a loss leader.

Mr. MACINNIS: There is legislation in some provinces against that.

Mr. HARKNESS: I have not had an opportunity to ask a question this morning.

The VICE-CHAIRMAN: I saw Mr. Beaudry some little time ago. I am sorry I did not see you. It is just an accident that I did not.

Mr. BEAUDRY: I would willingly defer to Mr. Harkness.

The VICE-CHAIRMAN: There is always the trouble that a member will be wanting to ask a question for quite some time and it is difficult to know whom to choose.

By Mr. Beaudry:

Q. Mr. Meech, as between Cottage brand loaves and Canada Bread loaves are there any two types of bread—I may not be using the right word—which would be comparable?—A. I know of none myself. There may be fancy breads. You do not mean fancy products?

Q. Would you be good enough to describe your three Cottage brand loaves again? I think you did it earlier but I did not quite catch it.—A. White, whole wheat and cracked wheat.

Q. Unsliced and wrapped?—A. Yes.

Q. And your Canada Bread loaves are—A. Canada Bread varieties are C-B-4, Canada Bread 4—it is a trade name,—C-B-4, Butternut, Tendercrust, Dr. Hall Brown, Dr. Hall Cracked Wheat, Thrifty and Sandwich.

Q. Is the sandwich loaf sliced or unsliced?—A. It has been unsliced. They are not slicing sandwich at present.

Q. C-B-4, Butternut and Tendercrust are all white bread, are they?—A. Yes.

Q. If you are not competent to answer this question we may refer to it later, but is there any basic difference between the three loaves I mentioned made by Canada bread and what you call your white bread, the Cottage brand?—A. Naturally I would prefer for a competent baker to give you the answer. I can only give you what my own personal feelings are in the matter as a consumer. I could not give you any technical difference which would be helpful to you in your question.

Q. On the surface would there be a major difference?—A. I would not think so.

Q. To be more specific I am looking at this fact, that in one case your white bread cost you 5-95, or to bring it up to date on January 27th it cost you 9 cents.—A. Yes.

Q. In the other case the Canada bread loaf cost you 10-35?—A. Yes.

Q. I am trying to find out what basic difference would bring up the cost in the one case by 1-35 cents.—A. I could not answer that question for the reason that we require a bread that can be sold at 10 cents. If Canada Bread did not produce it for us we would go out and produce it ourselves simply because competition demands a 10 cent loaf.

Q. I appreciate that but I am trying to find out from the point of view of original costs of the baker or manufacturer, call him what you want, and you say you are not qualified to give a complete answer, but on the surface there is a difference of 1-35 cents in actual cost of the baker or manufacturer. I am

excluding the necessity of having a loaf of bread made for 9 cents. I assume the man who makes the loaf of bread for 9 cents is not losing money on it. I hope he is not, but if basically both loaves of bread are fairly similar in ingredients, and I assume the baking procedure must be fairly similar, too, then I should like to get some explanation of why in one case one loaf of bread is going to cost 1.35 more to manufacture than in the other case?

Mr. MACINNIS: That is a question we would have to ask of the bakers. They should be able to give that.

Mr. BEAUDRY: Perhaps, but I am trying to get at one point which I think has some bearing. I am asking the purchaser of this commodity in great quantities and on a daily basis.

The WITNESS: You must take into consideration that the Canada Bread Company have to advertise their brands in competition with others. We do not have to advertise our bread. We put it on our shelf. They have such competition in the sale of their bread that they must have a higher percentage of return than what they could sell at to one large volume purchaser, but that would be their business as to whether these costs have any fundamental difference in ingredients.

By Mr. Beaudry:

Q. Is the method of delivery to you by the baker the same in both cases as from Cottage and Canada Bread loaves?—A. Yes.

Q. So from that angle both are on the same basis?—A. That is right.

Q. You have supplied us with Canada Bread as a supplier. Would you tell us who supplies Cottage brand loaves for you?—A. Canada Bread.

Q. Canada Bread supplies both brands?—A. Yes.

By the Vice-Chairman:

Q. They are your sole supplier?—A. Sole supplier of the basic breads.

By Mr. Mayhew:

Q. You do not furnish them with specifications for the Cottage brand?—A. No.

Q. So far as you know the ingredients in both loaves are the same?—A. We do not know the formula of the bread.

By Mr. Harkness:

Q. Is the general situation not this, that you are quite happy and consider it good business to sell this Cottage loaf at an insufficient profit, or you even might sell it at a loss, if you are able to recover that loss and make what you consider the profit necessary for you to continue operations by selling other bread to people who are willing to pay extra for their particular preference in bread? In other words, you are quite willing to give bread at cost to anybody who wants to buy it as long as you can get your money back or get your profit out of people who have money enough or willingness enough or are foolish enough to pay a considerably higher margin than would otherwise be required?—A. Definitely not. I should like to make that very emphatic, that we are not happy about the 10 cent loaf and having these spreads at all. We have to meet competition. We would like a proper price for bread based on standard mark-ups for the risks of business. It is only an incident of competition that has produced the 10 cent loaf. When you say we are happy about it, we are not because it is an unsettling factor in business to have wide spreads between various brands of such a basic commodity as bread, but as long as there is a 10 cent loaf and we are selling bread we have to produce a 10 cent loaf. The customers will indicate

their preference by purchasing the 10 cent loaf for that value. We are not warranting value any more than we warrant the value of other brands of bread we carry. It must be in the taste and in the acceptance of the product.

Mr. BEAUDRY: I object to a part of Mr. Harkness' question. I think I have got to make my objection now. There has been no reference so far to selling bread at cost. We have got evidence that bread is sold at a profit.

Mr. FLEMING: He does not say at a profit. It is a margin.

The VICE-CHAIRMAN: Just a moment, there are only a few minutes left. Mr. Harkness was in order in asking the question because he said that the firm was apparently happy in selling without a profit, but the answer cleared that up.

By Mr. Harkness:

Q. Even though you are not happy about it in effect that is what is happening, is it not?—A. By force of circumstances.

Q. And people who are willing to pay for their preferences are paying perhaps considerably more than that bread would be worth if you were able to get the margin you think is reasonable on all bread?—A. I would not necessarily say that. You have to taste the breads. You will pay much more for commodities that have different brand labels, and yet they are represented as identical, simply because you prefer this particular type of commodity. We do not wish to make any emphasis as to our 10 cent quality in comparison with our 14 cent quality bread. That is for the consumer.

By the Vice-Chairman:

Q. Sometimes he will pay 14 cents for an article instead of 10 cents just because he thinks it will be better because it is more money?—A. Yes.

Q. That comes into play?—A. That comes into play.

Mr. HARKNESS: In effect this is what is happening, the man who is willing to pay for this preference is really paying a part of the cost of the bread of the man who wants to get it cheaper.

The VICE-CHAIRMAN: Well, that is an inference of fact which any member may draw.

Mr. HARKNESS: I am asking the witness if that in effect is not what is happening.

The VICE-CHAIRMAN: I know you are asking the witness that, but he would only give you whatever his inference is, and any person is permitted to draw whatever inference he likes. I do not want to rule it out of order, but I did not think it was a question.

Mr. HARKNESS: I think it is a matter of judgment; I do not think it is a matter of inference.

The WITNESS: Will you repeat your question?

Mr. HARKNESS: I say, in effect, what is happening is the man who wishes to indulge his preference is really paying part of the cost of the man who wants to get his bread as cheaply as possible?

Mr. BEAUDRY: There is nothing to prove the same person will not buy both.

The VICE-CHAIRMAN: Just a moment. While I think the question and its answer may not be of value, I do not think it is out of order. If the witness cares to declare whether he thinks that is so, the question is permissible.

The WITNESS: I would not answer that question unless you directed me to do so, because I do not know.

The VICE-CHAIRMAN: I would not direct the witness to answer it.

Mr. HARKNESS: That is all right.

Mr. FLEMING: Could either Mr. Meech or Mr. Wilson, before our next meeting, take the figures of the percentage mark-up in each case and, taking due account of the weighting, give us the net aggregate or the average; give us the weighted average for all bread products?

The VICE-CHAIRMAN: It is rather doubtful whether that information will be ready for Monday because the plant is closed over the week-end.

Mr. LESAGE: Will the witness be here on Monday morning?

The VICE-CHAIRMAN: We are very sorry, gentlemen, that you have been so greatly delayed. We are much obliged to you for what you have done so far, but I am afraid your attendance on Monday will be necessary.

The committee adjourned at 1.05 p.m. to meet again on Monday, February 23, 1948, at 11.00 a.m.

Doc
m
CAIXC2
- 48 1948
SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

NO. 9

MONDAY, FEBRUARY 23, 1948

WITNESSES:

Mr. R. G. Meech, K.C., Vice-President, Loblaw Groceterias, Limited,
Toronto.

Mr. L. D. Squair, Executive Vice-President, Dominion Stores Limited,
Toronto.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

LIBRARY
MAY 6 19
UNIVERSITY OF

MINUTES OF PROCEEDINGS

MONDAY, February 23, 1948.

The Special Committee on Prices met at 11.00 a.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudry, Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Maybank, McCubbin, Merritt, Pinard.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

The Vice-Chairman read a telegram addressed to the Chairman by Mr. George B. Christensen (Printed in this day's Minutes of Evidence).

On motion of Mr. MacInnis,

Resolved,—That the said telegram be referred to the Steering Committee with power to take whatever action it found desirable without further reference to the Committee, and with the recommendation that Mr. Christensen be recalled at some convenient time.

Mr. R. G. Meech, K.C., Vice-President, Loblaw Groceterias Limited, Toronto, was recalled and further examined.

During the proceedings, Mr. Johnston occupied the Chair in the temporary absence of the Vice-Chairman.

At 12.55 p.m., witness discharged and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudry, Cleaver, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Maybank, Mayhew, McCubbin, Merritt, Pinard.

Mr. H. A. Dyde, Counsel to the Committee, in attendance.

The Vice-Chairman reported that the Steering Committee had met in accordance with the Resolution adopted at the morning sitting, and read a letter addressed to Mr. George Christensen, pursuant to the Steering Committee's decision. (See this day's Minutes of Evidence).

Mr. L. D. Squair, Executive Vice-President, Dominion Stores Limited, Toronto, was called, sworn and examined.

He filed,—

Exhibit No. 20—Statement by Dominion Stores Limited showing selling prices and costs of 24 ounce, wrapped, unsliced loaves of bread on specific dates from and including September 1, 1947 to February 3, 1948.

Exhibit No. 21—Copy of Dominion Stores Ltd. twenty-seventh Annual Report for fiscal year ended March 22, 1947.

In the course of witness' examination, it was agreed that a sample of all the bread under review be submitted to the proper government service for analysis.

During proceedings, Mr. Irvine occupied the Chair in the temporary absence of the Vice-Chairman.

At 6.00 p.m. witness retired and the Committee adjourned until Tuesday, February 24, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
February 23, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Vice-Chairman, Mr. R. Maybank, presided.

The VICE-CHAIRMAN: Gentlemen, before the proceedings start I have a wire which, by reason of itself, and the circumstances outlined in it, should probably be read.

OTTAWA, ONT., Feb. 22-1948.
4.25 p.m.

HON. PAUL MARTIN,

Chairman Parliamentary Price Committee—Ottawa

Messrs. Jamieson Thomson and I are waiting to hear when we will be permitted to submit the remaining evidence which we were asked to prepare regarding spreads between wholesalers' costs and prices charged retailers on fresh fruits and vegetables. During your absence from the Hearings Mr. Maybank proved very unreasonable and abusive and finally refused to give us satisfaction at all regarding when we might be permitted to supply additional information re quotations from primary producers or their agents to wholesalers and approximate laid-in costs at Toronto and other jobbing centers in Ontario. We supplied this information on citrus fruits covered by invoices February 6 Gamble Robinson Sudbury to A. E. Hodge Falconbridge and a number of other firms concluding with invoice February 3 from Lococo Bros., Niagara Falls, to Thompson Foods, St. Catharines. We had not secured approximate cost of the earlier crop of Valencia oranges at the request of members of your committee after their assurance that they would co-operate with us in securing the necessary information to establish the approximate laid-in cost to wholesalers in carlots. However, we received no co-operation from your committee in securing the necessary information required to establish what percentage of the wholesalers price was represented by margin and what percentage was actual cost. We secured the information re California Valencia oranges f.o.b. California October to February inclusive and we expect to have information re the approximate cost to Toronto wholesalers, balance of fruits and vegetables included in list which starts off with size 200 California oranges, invoice November 4 Barrett Brothers, Toronto wholesales to W. Probert, Toronto retailer and concludes on third page of exhibit with invoice January 30, grapefruit size 96; wholesaler Everest or Everett Bros., Toronto sold to retailer carload groceries Toronto. All of this information could have been supplied by the wholesalers concerned involving very little time and expense. However, Mr. Maybank and Mr. Dyde ignored the request of Mr. Jamieson and myself to secure this information from the wholesalers, in spite of the fact that they demanded information from Mr. Jamieson and myself regarding retailers' costs and the names of the retailers concerned, already resulting in serious criticism against Mr. Jamieson and myself for not having refused to supply the committee with retailers' invoices, unless, or until, we had the assurance of your committee that the retailers' names would not be published. We, at no time objected to members of your committee scrutinizing the invoices referred to. However, our objections were ignored and the names of the retailers were

made public and already we are receiving complaints that wholesalers have begun to retaliate against some of the retailers; members of our association. This is just another illustration of the lack of consideration on the part of the King government towards the small retailers of Canada. The treatment which your committee accorded Mr. Jamieson and myself should not be tolerated in this or any other country. To sum up the situation Mr. J. R. Thomson of St. Catharine, Ont., a reputable merchant and a member of the policy committee of the Foods division of the Retail Merchants' Association of Canada is with me now. Mr. Jamieson is expected to arrive Tuesday on the plane leaving Toronto at about 12.50 for Ottawa. Other officials of the Foods division from other parts of Canada are due to arrive Ottawa tonight and tomorrow. In view of the fact that Mr. Jamieson, Mr. Thomson and myself and a great many retailers have co-operated to facilitate in securing the necessary information to determine the causes for the extremely high price of foods and other every day essentials which enter into the cost of living and whereas a great deal of time and money have been and will be expended in co-operating with your committee, don't you think it a reasonable request on our part that we be accorded two hours from four to six o'clock on Tuesday, February 24 to submit the information which we have secured and prepared at great expense. I believe that you personally wished to see my colleagues and me treated fairly however, the control of the situation was taken out of your hands.

If you really want to expose profiteering and halt inflation you can count on a large measure of co-operation from a majority of Canadian food retailers who are members of the Food Division of the Retail Merchants Association of Canada. There are, of course, some independent food retailers in Canada, both within and without our organization, who for reasons best known to themselves have not only failed to co-operate in carrying out the pledge of the National Executive of the Foods Division of the Retail Merchants Association of Canada to reduce prices of food but have on the other hand actually attempted to dissuade other officials of the Foods Division and me from aiding your committee in determining what can best be done to reduce prices where and when same can be done without bringing undue hardship upon any one individual, firm, corporation, cartel or combine. If we have not the facts we know where they are procurable. And if we can secure the co-operation of the King government we sincerely believe that the present continuing trend towards inflation and near if not complete monopoly of certain lines of business by a few individuals or firms can be at least retarded if not immediately corrected, thereby bringing about a gradual and orderly decline in prices or in living costs.

All of which we believe is necessary if this country is to avoid the disastrous consequences of free enterprise carried to the point of licence to create shortages, manipulate markets and otherwise create a situation whereby the privileged few who control finance and are in a position to dictate to the political party in power, can and undoubtedly will continue unfair and unethical trade practices which can only lead to chaos and widespread suffering by all but the privileged few who somehow seem to manage to gradually secure a strangle hold on more and more of Canadian business. We would very much appreciate receiving a reply from you at your earliest convenience.

Respectfully yours,

GEORGE CHRISTENSEN,

National Director, Foods Division,
Retail Merchants Association of Canada,
Room 921, Lord Elgin Hotel.

Gentlemen, the only serious remark I would like to make about that wire is with reference to the charge against myself in that I was abusive to Mr. Christensen. I have only to say that the record is there and it speaks for itself. I do not think I was abusive. I did not intend to be abusive. If I was abusive I should not only apologize to Mr. Christensen, and I do so, but I should apologize to this committee. I feel that Mr. Christensen has completely misunderstood my attitude towards him. I felt it was necessary to keep order in a hearing that was intended to be an orderly hearing, and the most difficult person in the room with respect to orderly presentation was, I felt, the witness himself. He perhaps had the best intentions in the world but he was, nevertheless, not one who presented on orderly picture. I certainly did not intend to be abusive to him and, moreover, I am confident that any fair person reading the record will not conclude that I was abusive. However, lest it be thought that I was, and lest he continue to think that I was abusive, I must apologize to this committee, all the while maintaining that whatever he thinks, I was certainly not abusive. I have nothing more to say in a personal way about that wire but is there any action you desire to take with reference to it?

Mr. FLEMING: I noticed that Mr. Christensen is asking a hearing tomorrow afternoon from 4 o'clock until 6. Was there anything said to him last week to give him an impression that this further information was to be received or to be given on Tuesday?

The VICE-CHAIRMAN: Was there any intimation given him last week that he should get it and be ready to present it by Tuesday?

Mr. FLEMING: Yes.

The VICE-CHAIRMAN: There was no intimation that I know of and the record discloses no intimation. There was nothing said to him by myself.

Mr. IRVINE: I did get the impression in the committee that he thought that he was coming back, and we gave him no other understanding but that he was coming back.

Mr. HOMUTH: It was more a question of when he had the information.

The VICE-CHAIRMAN: I think it was made pretty clear to Mr. Christensen that it would be desirable to have him back when further information had been made ready by himself and likewise when it seemed to be an appropriate time to take up again that branch of the inquiry. My initial conversation with him was to the effect that he was coming in for Tuesday and probably Wednesday. He was to be followed by the bread people and he told me his difficulty, a very natural one, about getting ready his information. I told him then that, in my opinion, and I could only talk at that time according to my own opinion, it would not be possible to conclude his part of the inquiry at that time. I used the expression to him over the telephone, when he was speaking to me from Toronto, that what was being held was of necessity a preliminary canter and although I am sure he understood at that time, his memory of it slipped afterwards.

Mr. MACINNIS: Mr. Chairman, I think we will have to deal with this in a manner best suited to serve the needs of our investigation without regard to the personalities concerned.

The VICE-CHAIRMAN: Oh, yes.

Mr. MACINNIS: He was rather difficult. I suggest that the matter be referred to the steering committee with the recommendation that they try to find a convenient time, not too far distant, at which the remainder of Mr. Christensen's and Mr. Jamieson's evidence can be given to the committee.

Mr. JOHNSTON: I would second that.

Mr. FLEMING: And I suppose that reply should go to him today. In his wire he asks for a reply and he apparently is counting on coming down here

with his colleagues tomorrow so some intimation should go to him today as to when the committee might be expected to hear his further evidence.

Mr. MacINNIS: The steering committee should, in my opinion, meet as quickly as possible and let him know.

Mr. FLEMING: If this committee were to adjourn at ten minutes to one the steering committee could meet then.

The VICE-CHAIRMAN: It would be understood by this committee that the steering committee will give an answer along the lines of that motion directly after the morning session is concluded; is that right?

Mr. MacINNIS: Yes.

The VICE-CHAIRMAN: The motion should be amended to that effect; that the steering committee would give the reply of this committee to Mr. Christensen as to when he could be heard.

Mr. MacINNIS: The steering committee would reply to that wire.

The VICE-CHAIRMAN: Yes, You have heard the motion, gentlemen; what is your pleasure?

Agreed.

Now Mr. Fleming, as to the suggestion that the steering committee might meet immediately following the rising of the main committee this morning, the main committee probably rising a few minutes early in order to carry that out, there are some other matters also, more or less formal matters, to come before the steering committee at such time. Would you say quarter to one.

Some Hon. MEMBERS: Agreed.

The VICE-CHAIRMAN: The steering committee will meet at quarter to one.

Now, we have Mr. Meech on the stand.

Mr. R. G. Meech, K.C., Vice-President of Loblaw Groceterias, recalled:

The VICE-CHAIRMAN: Mr. Beaudry has indicated that he has two or three follow-up questions from Friday and Mr. Dyde tells me he has a number he would like to ask the witness.

By Mr. Beaudry:

Q. Mr. Meech, on Friday we were going into the matter of your suppliers. You indicated that Canada Bread were supplying both what is indicated now as cottage loaves and the various Canada Bread lines. Would you tell me how long Loblaw's have been purchasing their bread from Canada Bread Company?—A. Approximately twenty years.

Q. How long have Loblaw's been in operation?—A. Since 1921, as an incorporated company.

Q. During those twenty years has Loblaw's made any effort toward—first have you purchased from Canada Bread over the entire period of twenty years?—A. Yes.

Q. Are you in a position to tell me from whom you purchased in the first years of Loblaw's operation—twenty years, that would take us back to 1928? Or, were you in the bread business in that time?—A. No, the chain did not carry bread at that time.

Q. So, do I understand your answer to be that you have been purchasing your bread from Canada Bread as the manufacturers from the first day you started selling bread?—A. Yes, I would like that to be very clear.

Q. Have you in the meantime, during those twenty years, done what I might term "shopping" to determine whether you could purchase from any other

supplier at the prevailing price or at a like price to that quoted by Canada Bread for similar quality?—A. All through the company's growth competition has been its prime inspiration and if anybody could come to us and offer a loaf which was better, we would have bought it. So that I would say that our buyers were constantly making tests of our competitors' breads. That is done even today, every week—the qualities—and if we find a bread which in the opinion of our experts is better we would approach our baker with a view to seeing that our quality that we demanded was met.

Q. I do not think that answers my question exactly, Mr. Meech. I was not discussing quality as much as price. I will reword my question for you; during these twenty years that you have been purchasing bread from Canada Bread have you, or are there any efforts recalled to your mind of shopping around in order to obtain a similar quality of bread or to ascertain whether a similar quality of bread could be purchased from the supplier at a lower price?—A. I would say, yes. I would also add, the process was usually in the reverse, that the bakers approached us continually to get our business.

Q. You mentioned your competitors some time ago, would you be good enough to give some names of people you consider as competitors? You are speaking mostly of Toronto and the whole province of Ontario?—A. The province of Ontario.

Q. Are you speaking of chain stores?—A. Chain stores.

Q. Would you be good enough to give us the names of some of these competitors?—A. Yes, there is Dominion Stores, A & P, Powers, Carroll's Groceteria.

Q. Is it within your knowledge as to whether or not any of these stores buy bread from Canada Bread?—A. I do not know.

Q. You do not know?—A. No.

By Mr. Merritt:

Q. Might I interject a question there; do they also buy bread, these stores?—A. I do not know.

By Mr. Beaudry:

Q. Do Loblaw's own any stock in Canada Bread?—A. None.

Q. Directly or indirectly?—A. Neither directly nor indirectly.

Q. Does Canada Bread own any stock in Loblaw's, directly or indirectly?—A. None.

By Mr. Lesage:

Q. Are any of the directors of Loblaw's also directors of Canada Bread?—A. No, none. Up to a year ago we had one of our directors sitting on the board of Canada Bread Company, the late Mr. Shiels. It was a personal arrangement with Mr. Shiels who happened to be acquainted with one other person on the board who had been put in the position of president and he went on just as an adviser to him; but when Mr. Shiels died the company decided as a matter of policy not to have any representation on the boards of people with whom we deal.

By Mr. Beaudry:

Q. Have you any idea—and this is my last question—as to the daily quantity of bread that might be left unsold from the Canada Bread purchase daily?—A. I would say, Mr. Beaudry, that is a matter of spot checkup by our supervisors and managers, I would say that the quantity would be very negligible; in fact, the complaints from customers would indicate that we do not carry a sufficient quantity to assure the final customer being able to get a loaf of bread.

Q. Would those complaints apply to all types of bread you sell or more specifically to one or another type?—A. All types.

Q. All types?—A. Yes.

Q. In other words, it would apply to the cottage loaf and the other brands, or the Canada Bread brands?—A. I beg your pardon. I did not quite hear that.

Q. I said that likely would apply to the cottage loaves as well as to the loaves sold under the Canada Bread brand trademark?—A. Yes.

Q. I asked that because I think earlier—I will ask Mr. Chairman for someone to look back over the record and find it—I think you did say at one time—I am speaking from my notes—that you supplied the demand up to the full limit of the demand?—A. As we could calculate it.

The VICE-CHAIRMAN: I have to leave for a moment, gentlemen. I would ask Mr. Johnston to take the chair.

Mr. JOHNSTON assumes the chair.

By Mr. Beaudry:

Q. You say, up to the limit of your capacity to estimate the demand at a particular time?—A. Yes, that changes.

Q. I do not like to quibble with you, but it seemed to me that your answer was not as limited or restricted as that. Mr. Chairman, with leave of the committee, I suggest that somebody else carry on. This is my last question. I am trying to find my reference and I would like to return to it as soon as I have found it.

The ACTING CHAIRMAN: Are there any further questions?

The WITNESS: I might mention, Mr. Beaudry, that since the large ad appeared in the newsprint there has been a slight increase in the demand for that 10-cent loaf; although I do not think it was based on any personal qualifications as to selection.

By Mr. Lesage:

Q. Have you the figures that we asked for?—A. I explained to your counsel that we made every effort to get those figures but we found it to be a tremendous undertaking. We have put the horses in motion and our accounting department are working it out now and we will have that information for you, but we have found it impossible to get it in such a short space of time.

Q. I wanted the average percentages.—A. It is the average that means so much because we have to check through each line of a commodity and there are so many different lines in one commodity—for instance, we have 70 lines of peas at various mark-ups.

Q. I am thinking of Exhibit 19.—A. Yes.

Q. I asked you what was the average per cent?—A. I thought I gave you that, Mr. Lesage.

Q. You did not give me that, you gave me the average for January 27, 1948, and I asked you for the other column?—A. Oh, yes. I beg your pardon. We are preparing that statement.

Q. It is not ready yet?—A. No.

Q. When will it be ready?—A. It should be ready this week.

Q. It will not be ready today before we adjourn?—A. I doubt it.

The ACTING CHAIRMAN: I understand that Mr. Dyde has some questions he would like to address to the witness.

By Mr. Dyde:

Q. Mr. Meech, would you keep Exhibit 19 before you for a moment or two and would you refer to the line which is called, cost price per loaf; at the

end of it there, and under the Canada Bread brand. Now, is that price, the cost price, is that the price delivered to each of your retail stores in Toronto and Ottawa or is it to the warehouse?—A. It is to the stores.

Q. To the retail stores?—A. Yes.

Q. Then, also with reference to Exhibit 19, you have given us the selling price per loaf, and I wanted to ask you one short question with regard to that; do you know if that is the same price at which bread is being sold from the wagon?—A. I believe it is; that is, we are referring to Canada Bread?

Q. Yes?—A. Yes, I believe that is.

Q. That would not apply, of course, to cottage brand?—A. No.

Q. Does that Canada Bread, the Canada Bread loaves, go to your stores with a wrapper which bears the price at which it is to be sold?—A. No.

Q. There is no price on it, no mark-up on it, in any way?—A. None.

Q. You have given a figure of 17·9 per cent as the over-all average at January 27. Is that figure after allowance for loss? There is loss in the sale of bread, I assume?—A. Yes.

Q. Does that figure allow for that loss?—A. No, that would not allow for that.

Q. Have you any figure, or can you give a figure which does allow for loss? I do not mean now.—A. We could supply that.

Q. Will you supply it?—A. We will.

Mr. BEAUDRY: Is this the loss Mr. Meech referred to as negligible earlier this morning?

Mr. DYDE: I think he said it was small.

Mr. FLEMING: He said the wastage was small.

By Mr. Dyde:

Q. Mr. Meech, I think you have a copy of Friday's evidence. Would you be good enough to turn to page 365. You will note ten or twelve lines down from the top of the page I asked this question:

Q. Now, turning again to exhibit 19, Mr. Meech, and to the items under Canada Bread; I notice that at the first of September there was a margin of 2·55 cents, and that on January 27 in Toronto there was a margin of 3·65 cents. Will you please explain to the committee why that margin has increased?

Your answer was:

"The reason for that difference is that our costs have increased—"

Then you go on to say a little lower down:

"—to us, by reason of the baker being forced to pay more for his ingredients and supplies."

Mr. Meech, what I really wanted to say to you this morning was I thought that answer was not quite an answer to the question I had asked. You will see from that I am asking why the margin of 2·55 cents increased to 3·65 cents. I wonder if you would look at your answer there and now answer that question for me? You follow what I mean, do you not? I think your answer there was referring to the cost of the bread to you whereas I was asking you about the increase in the margin.—A. The increase in the margin is from 25·5 to 26, which we do not think is—

Mr. FLEMING: Per cent.

The WITNESS: Per cent, which we do not think is out of line.

By Mr. Dyde:

Q. You are speaking of per cent but I am asking you about actual costs. The reason I do it, Mr. Meech, quite frankly is that the person who buys bread

is interested in the price rather than the percentage, I think, and I was wondering if you would explain to the committee why you felt it necessary to increase the 2·55 cents to 3·65 cents.—A. I would think really the reason controlling that factor is that that type of bread commands throughout the trade that price. In the grocery business prices are often very much influenced by what other people sell the same commodity for and when we find that this popular loaf with a wide distribution is being marketed by others, being sold from bakers' wagons at that figure, we do not believe it would be good business to take less than what that price offers, particularly when the mark-up is in line with our own mark-ups generally.

Q. You must not let me put words into your mouth, Mr. Meech, but are you saying to the committee that you are selling at that increased margin because everybody else is doing it?—A. I would not like to say that we tie in our policy with what every other person does. In an instance of this nature it may appear to be that way. We exercise strict independence over our selling prices at all times, but we are very cautious in changing prices that seem to have uniformity.

Q. Have you exhausted yourself on the reason for there being this increase in the cents?—A. Yes, I have. There could be no other factor which could be deduced by inference such as, is there any understanding between the supplier and ourselves to have that price established? I say emphatically not, emphatically not.

Q. I will help you perhaps just a little further. I thought you might say to me, and again I do not want to put words in your mouth, your costs had increased, your own costs? That is not so, is it?—A. The general costs of operation have.

Q. Is that a factor for any increase in the cents? You say no?—A. Not in this particular item.

Q. Not in this particular item. The chairman reminds me you said the other day that bread constitutes 82 per cent— —A. Of total sales.

Q. So in view of the fact bread is that comparatively small item in your total sales you say that your increased costs, if there are any such, have no effect whatever on the comparative margin in cents between last September and January? If that is so—

The VICE-CHAIRMAN: What is the answer?

The WITNESS: I would like you to repeat the question.

Reporter reads:

So in view of the fact bread is that comparatively small item in your total sales you say that your increased costs, if there are any such, have no effect whatever on the comparative margin in cents between last September and January?

The WITNESS: I am not certain whether Mr. Dyde is referring to over-all costs of operation or the specific case of the Canada Bread loaf which sold at September 1, and sold at January 27. Our costs did increase, and that is why there was that change in price.

By Mr. Dyde:

Q. Now, let us be specific. Your over-all costs increased? Is that what you are saying now?—A. Oh yes.

Q. But the cost of handling bread did not increase; is that correct?—A. It would in a general way. If we sell more bread there is more space, more clerks, and there is a refinement of increase in cost that would be noticeable.

Q. But if you sell more bread you have got more volume, have you not?—A. Yes.

Q. Which is a compensating factor?—A. Quite.

Q. I should like to be exact on the Canada Bread loaf itself, Mr. Meech, if you do not mind, and I want you to be quite specific as to the reason for this increase in the margin as between September and January. Are we to say that is because the cost of handling Canada Bread loaves has increased in that period? Do you want that said?—A. I want it said partly that that unquestionably is a factor. The cost was 7·45 on the first of September, and at the 27th of January the cost was 10·35.

Q. I think you are mistaking me because I can see from the table there has been an additional cost to you of the loaf of bread, but I am referring now to costs of handling by yourself because that is what has to be included in this margin. You see I thought you told me at first this morning that everybody else is selling at a certain price and, without there being agreement, that was the governing factor. If there is some other factor in it would you please let the committee know.—A. I know of no other factor.

Q. No other factor than that it is the going price?—A. Than that the price which bread is being sold for is a reasonable price in regard to our mark-up and dollar cent profit, and therefore we would not challenge that price.

Q. I would not argue with you about the reasonableness or unreasonableness. I was endeavouring simply to reach what your mind is on the reason for this increase in the margin. Have you anything further to say with regard to the reason for that increase?—A. No, I have not.

By Mr. Cleaver:

Q. I have a question I should like to ask if I may. In January of 1948 your firm was content to sell Cottage brand loaves at a mark-up of 1 cent per loaf. Is that right?—A. That is right.

Q. Now, the Canada Bread loaf is a loaf practically the same size and the same weight, is it not?—A. Yes.

Q. When you are selling a loaf of Canada bread it would not cost you any more to handle that than a loaf of the Cottage bread?—A. No.

Q. And with respect to Canada bread you are making a mark-up of 3·65 cents, over 350 per cent more than for handling Cottage bread?—A. That is right.

Q. Have you any fear that if you do not maintain a resale price of 14 cents with respect to the Canada Bread loaf that your supply would be cut off?—A. Definitely not because if they cut the supply off we would make it ourselves.

Q. If other retailers of Canada Bread loaves cut the price 1 cent or 2 cents would you also cut it?—A. We would have to meet competition.

By Mr. Irvine:

Q. You say you would make it yourselves. Does that mean you would go into the bread baking business?—A. Or arrange for somebody to bake for us. We would have to have a competitive commodity to sell. If there was on the market a commodity which the consumer demanded, presumably such as the 10 cent loaf, we could not afford not to have that commodity for sale.

By Mr. Cleaver:

Q. I think you misunderstood my question. In that question I was referring to the Canada Bread loaf. If your supply of this loaf which you are retailing at 14 cents was cut off, what would you do then?—A. We would seek out another supplier to give us—

Q. Who would supply you with a 14 cent loaf?—A. Yes, there is a very positive demand, as witness the 30 per cent of our sales, for this type of loaf.

Q. What percentage of your bread sales?—A. 30 per cent.

Q. What difference is there in quality between the two loaves?—A. I got out upon a dangerous limb on that, Mr. Cleaver. I am no expert. I was quoted as saying I had a preference. I am not a bread eater, so I had better leave that for a baker.

Q. Do you know the difference in quality?—A. I do not.

Q. I notice the schedule shows a difference in cost to you of 2.35 cents between the cottage loaf and the Canada Bread loaf?—A. No, I do not know the difference.

Q. Pardon?—A. I do not know the difference except what we pay for it.

Q. You do pay 2.35—

Mr. DYDE: 1.35.

By Mr. Cleaver:

Q. You do pay 1.35 cents more for Canada bread than you do for the Cottage loaf?—A. Yes.

Q. You do not know the reason for the difference?—A. No.

By Mr. Johnston:

Q. Do you have experts continually investigating the quality of the bread?—A. From the point of view of taste and marketability, not from the standard of analysis and finding out all the qualifications of each brand. We do not go into that feature of it.

Q. I thought you said a moment ago you had buyers constantly examining the quality every day?—A. Yes.

Q. Would you not be in a position then to know or at least your experts would know the difference between the quality of the Canada Bread loaf and the Cottage loaf?—A. Yes, as purchasers, not as chemists or bakers. They go out and buy two or three loaves, cut them up and some flake easily, leave a lot of wastage on the board. Others have a nice conformity and appearance, no air bubbles; all those are factors which we are conscious, over the years, the housewife looks into just as much as taste. These are the factors we check up on in our own daily check-ups.

By Mr. Beaudry:

Q. Mr. Chairman, I have finally found my reference. I am coming back to this question of supply and demand, Mr. Meech. I am referring to pages 357, 365 of the minutes and to the earlier question I asked this morning. You stated that, at times, the consumer-buyer complained that you did not carry a sufficient supply to fill all his needs. I am referring you to page 357 of the record.

Q. And without at the minute going into the difference in price, are you in any way limited by the suppliers of the lower priced brands in the amount that is supplied to Loblaw's?—A. No, we are not. It is purely a question of our demand and their supply.

Q. And do you in any way limit your buying to the lower priced brands?—A. No, we seek to get as much as our market can meet.

Then, on the same subject page 365 of the record, I find this: the previous question was as to whether you had a contract or not and your answer was that you had not.

Q. You have, I suppose, day-to-day orders; that is what I want to bring out, whether you have anything else in addition to the day-to-day orders to Canada Bread for bread?—A. That is right, based on our daily wants.

Those answers to the previous questions do not seem to be very clear, in the light of your statement this morning that some of your consumer-buyers complain they cannot get enough of the brands you display?—A. I am afraid you are over emphasizing the complaint of that nature. We leave pretty well to our store managers the estimate of their requirements. We have 115 store managers. Some of them like to be good operators, to be cautious in their estimates. We might hear occasional complaints. Any complaints we hear we follow up. We might hear occasional complaints that, in this store, they are not able to get bread at such and such an hour, but that is corrected the next week.

Q. I am not going to labour the point, it is only one which you brought up yourself this morning?—A. Yes.

Q. This morning you said in answer to Mr. Dyde that all brands or all types of loaves under discussion, both Cottage loaves and Canada Bread loaves were delivered to each individual store by the bakers; that is what I understood your answer to be?—A. Yes.

Q. Page 356 of the record shows this, and perhaps it should be corrected for the sake of accuracy. The first question at the top of page 356 reads as follows:

Before coming to that, I wonder if you would complete a few preliminary remarks. You have spoken about your retail store method. You also have wholesale facilities or warehouse facilities, I suppose?—A. Yes, we operate a warehouse where we buy from the primary producer or the manufacturer, and we assemble those commodities in our warehouse and make distribution to our stores through our own trucking operation. It is a complete unit of purchase and service to the ultimate user.

A. I am afraid that is a very complete condensation of the operations. There are exceptions on many items.

Q. I think it should be recorded that there are exceptions?—A. I was trying to be very brief in summarizing what is the underlying principle of our operation.

Q. In the last question on page 373, we were discussing possible reasons for the higher cost price of the Canada Bread loaf as against the Cottage loaf. I think you will find this answer—I do not know whether I should repeat the question or series of questions, but actually part of your explanation as to this possible difference in cost to you was as follows:

You must take into consideration that the Canada Bread Company have to advertise their brands in competition with others. We do not have to advertise our bread. We put it on our shelf.

Are you making the statement that, at no time, do you advertise the 10 cent loaf?—A. No, I am not.

Q. So that this answer should be qualified?—A. I said there, "We do not have to advertise".

Q. I know, but if you are bringing in the question of advertising as one of the elements in increased costs in the case of Canada Bread, I think if you do advertise at times, even if only infrequently—A. Very infrequently, I would say, Mr. Beaudry.

Q. What would you call, "infrequent", in terms of time?—A. Yes, I am afraid we have to correct that statement. We do advertise the Cottage loaf.

Q. Therefore, advertising would not necessarily be or establish a difference in cost between the Cottage loaf and the Canada Bread loaf?—A. Not to the same extent.

By Mr. Cleaver:

Q. I understood you, Mr. Meech, to suggest you did advertise the Cottage loaf rather extensively, but do you also advertise the Canada Bread loaf?—A. Yes, but infrequently; I could use the word there.

Q. So that your selling costs, so far as advertising is concerned, would be greater on the Cottage loaf than on the Canada Bread loaf, as to advertising?—A. If you take advertising as strictly limited to newspaper advertising.

Q. What other type of advertising do you do as to bread?—A. We have window bills, floor cards and special displays.

Q. Then, as to window cards, floor cards and special displays, would you tell the committee as to whether you advertise the Cottage loaf or Canada Bread loaf most extensively?—A. I would say the Cottage.

Q. So, when I suggested to you a moment ago your selling costs as to advertising were higher with respect to the Cottage loaf than to the Canada Bread loaf, my suggestion was a correct one?—A. Yes, it could be.

Mr. CLEAVER: Was it the intention to ask Mr. Meech any further questions in regard to the mark-up on citrus fruits or should that be left until another day?

The VICE-CHAIRMAN: We are just dealing with the bread aspect today.

By the Vice-Chairman:

Q. I wonder whether you could agree that there has been considerable good advertising given to the 10-cent loaf by the committee hearing?—A. I am afraid it has worked out that way.

Q. Your stores, you think, will be short this afternoon?—A. I am afraid we will have to increase our estimates.

Mr. BEAUDRY: I would say you are getting the advertising at a minimum of cost.

The VICE-CHAIRMAN: I think Mr. Fleming has been waiting to ask some questions and Mr. Irvine, also.

By Mr. Fleming:

Q. Mr. Meech, the information you have given to the committee is based on operations confined to the province of Ontario?—A. Yes.

Q. Loblaw Groceries Limited does not operate in any other province?—A. No.

Q. The so-called American Loblaw Company, as I understand it, has no connection at all with the Ontario company?—A. None whatever. We are not shareholders.

The VICE-CHAIRMAN: You might follow that up and tell us how it comes about that the firm has the same name?

Mr. LESAGE: Whenever conversation is taking place at that end of the table we cannot hear anything.

The VICE-CHAIRMAN: Sorry, the only question at the moment was to show that there was no connection between the American and Canadian Loblaw companies. I had only asked if there was some explanation which might be given, in case the witness can do so. How does it happen there are the two names like that?

Mr. LESAGE: My remark did not apply especially to the chairman; it applied also, with respect, to Mr. Fleming.

The VICE-CHAIRMAN: We are all probably guilty of dropping our voices improperly.

By Mr. Fleming:

Q. The chairman has raised the question, Mr. Meech, and probably you can clear that up?—A. Yes. The American company was incorporated by the founders of the Canadian company. At that time the thought was it would be and remain a wholly owned subsidiary but, with the changes in times and types of operation, it became evident that the Canadian company should be an entity

of its own. Therefore, the directors of the Canadian company sold out all the interests which the company owned in the American company. It is just a question of policy rather than any other factor.

Q. Do I understand that the operations of the two companies from that time forward have been entirely independent?—A. Entirely independent.

Q. Exhibit 19 indicates, first with respect to the Cottage brand, a substantial increase in the cost to you occurring between September 18 and September 24 last and, in the case of Canada Bread loaves, a substantial increase in the cost to you between September 1 and September 18. How do you account for that increase in cost to you?—A. You mean why they do not balance off on the same dates?

Q. In either case, what is the reason for the increase?—A. The reason given to us by our supplier was that the subsidy was off flour and that would represent the real reason.

Q. Removal of the subsidy on flour was the reason given to you by your suppliers, the Canada Bread Company. In the one case the increase took effect in the week between September 18 and 24, that is the case of the Cottage brand, and in the case of the Canada Bread loaves, the increase occurred between September 1 and September 18. Is there any significance to that at all?—A. No, there is no significance in that. We held our 7·50 price, two for 15, as long as we could, and when our costs were actually raised at that time, the 24th of September, we had then to increase the price.

Q. The reason given to you by the Canada Bread Company was the same in the case of both loaves?—A. Yes, in each case.

Mr. DYDE: May I interject one question? When you made this table up I understand—and correct me if I am wrong—the dates at the top are the dates when the change took place. It was not between those dates but it was on those dates that the change took place?

The WITNESS: That is right.

By Mr. Fleming:

Q. The increase to you of the Cottage brand loaf occurred on September 24?—A. Yes.

Q. The cost of the Canada Bread loaf increased on September 18?—A. Yes.

Q. Six days apart?—A. Yes.

Q. Then we have already seen in another exhibit over a period of some years there has been an increase. It is table 1 of exhibit 19. There has been, since 1939, an increase in the per capita consumption of bread in Canada, rising steadily from 88·3 pounds in 1939 up to 106·6 pounds in 1945. We have no figures beyond that date. What has been the course of your gross sales measured not in dollars but in terms of the number of loaves in that period?—A. A very steady increase.

Q. A very steady increase. Now has the tendency to increase survived the increase in prices which occurred last September?—A. Yes.

Q. Has that increase in price had any perceptible effect on the quantity of bread you have been selling, measured in the terms of the number of loaves and not in dollars and cents?—A. I would say no.

Q. Have you exact figures?—A. I have not any figures. You have to balance that factor with the effect of the 10-cent loaf being maintained which has certainly increased our volume of bread business? Is that what you are getting at?

Q. I will come back to that but first I want to get at this point. The sales of bread, measured in terms of the number of loaves have not decreased as a result of the increase in the price to the consumer last September?—A. That is right.

Q. Has there been any checking of the rate of increase in your sales?—A. We have not the figures here but we follow that closely. I have no figures to give you specifically what the rate of increase would be.

Q. You could probably give us those figures?—A. Yes.

By the Vice-Chairman:

Q. Do you desire to have those supplied?

Mr. FLEMING: Yes, I would like to get the figures as to the volume of turn-over in terms of the number of loaves?

The VICE-CHAIRMAN: You can make that information available?

The WITNESS: Yes.

The VICE-CHAIRMAN: I just wanted to be sure that Mr. Fleming's request was understood.

By Mr. Fleming:

Q. Are you in a position to say what prices are charged for those loaves by the independent retailers who may be handling them in the same community?—A. No, I am not.

Q. In any event, I think you have made it clear that you set the price of your loaf and it is not a matter of any agreement with the Canada Bread Co.?—A. Definitely it is not.

Mr. DYDE: It is not?

The WITNESS: Yes.

By Mr. Irvine:

Q. Mr. Chairman, I would like to ask Mr. Meech a question arising out of his answer to a question put by Mr. Dyde. With respect to the increase in the margin on Canada Bread loaves from 2.55 to 3.15 and 3.64, and ultimately to 3.65, I understood you to say, sir, that this increase in the margin had been caused by some increase in your cost or overhead, and it seems to me to be rather a large increase on one commodity, namely bread. An increase from 2.55 to 3.15 in a day seems large. A similar increase on all commodities sold would be a very large increase would it not?—A. Oh, yes.

Q. What actually took place on that day? What actually took place on the 1st of November which jumped your costs so greatly as to warrant an increase in the margin to that extent?—A. Do you mean on November 1 or September 24 or September 18?

Q. In your first column, September 1, 1947, you show that you had a margin of 2.55?—A. Yes.

Q. On September 18 it was 3.15. Now on that day, I presume, a change took place from 2.55 to 3.15?—A. Yes. You will notice, Mr. Irvine, that our dollar profit is 3.15 and the mark-up was 24.23, actually less than what we were making when we were selling bread at 10 cents. The only explanation of that increase in costs to us, as we said previously, was that the subsidy on flour was withdrawn and the bakers were then left to set a price which we would have to pay.

Q. Then do I understand you to say the high cost, in your opinion, or the increased price of bread at that date was the result of the removal of the subsidy?—A. That is what we believe to be the cause.

Q. Do Loblaw's sustain a loss on Cottage brand loaves which they sell for 10 cents?—A. That is very difficult to answer because of the reason that ostensibly there is a profit, but we could not stay in business and operate on a 10 per cent mark-up such as that would provide.

Q. Then you are not selling it at a loss?—A. No, we are not selling it at a loss.

Q. Would it be fair to say then the Cottage brand loaf is being used as a loss leader?—A. Oh no. No, it is due to the fact that there is this loaf in competition, and in demand, and that demand has to be met. It is not sold as a loss leader.

Q. Well I wish you could make that point clear. It seems to me that if it is not being sold at a loss then it would appear that you ought to be able to sell other bread at a similar price. If it is being sold for something less than a reasonable profit I suggest that it would be a loss leader.

The VICE-CHAIRMAN: Just to clear that, Mr. Irvine, are you using the expression "sold at a loss", and also the expression "sold at less than a reasonable profit", as being the same thing?

Mr. IRVINE: No.

The VICE-CHAIRMAN: Well, you did mix the two of them in that question and I only wondered if you meant those terms should be considered as identical?

Mr. IRVINE: No. I was thinking that there might be a small margin of profit on the 10-cent loaf and still selling it at 10 cents it might be regarded as a loss leader.

The VICE-CHAIRMAN: Some people would say that if a thing is selling at less than a reasonable profit then that is the same as selling at a loss?

Mr. IRVINE: That is my point.

The VICE-CHAIRMAN: That is what I was asking you. You said these expressions were intended by you to be synonymous to what you described as a loss leader, meaning something which is being sold at less than a reasonable profit; it does not have to be sold at a loss to come to that category as you used the term.

Mr. IRVINE: I am not sure about what a reasonable profit is, but suppose we say less than the average profit made on the other goods.

The VICE-CHAIRMAN: All right. I was not introducing the word. I was only using it.

Mr. HOMUTH: That is a loss leader?

The VICE-CHAIRMAN: It is, if you want to call it a loss leader. All I am interested in doing is in fixing terms.

Mr. HOMUTH: We know the definition of a loss leader. Anything sold at a profit certainly is not a loss leader.

The VICE-CHAIRMAN: Well, that is Mr. Irvine's use of the term. As long as the committee understand it there is no longer any objection.

Mr. IRVINE: And it would be a loss leader if by selling it at a little higher price made more profit, or he might even sell it for less than the price at which he sells it now.

Mr. FLEMING: Not so fast; that is a different principle.

The VICE-CHAIRMAN: The sole purpose of my interruption was to make sure as to the use of the term. You have established that now, so go ahead.

By Mr. Irvine:

Q. Well, I would like the witness to make that a little more clear. He says that he would not say they are selling actually at a loss, that there probably is a very small margin of profit on the 10-cent loaf; if I understand his answer correctly?—A. Mr. Chairman, I did say that we are selling the cottage loaf at what we regard as a reasonable profit which we should get for that bread, and as we discussed last Friday, it is the force of competition which controls the price, not our method of operation.

Q. Well, would it not be possible to get exactly what your profit is on that loaf?—A. There is a margin of 10 per cent.

Q. Yes, there is a margin of 10 per cent, but I suppose you would not say there is a 10 per cent profit?—A. Oh, no.

The VICE-CHAIRMAN: You mean that all the other business costs are not included and you would have to estimate it's share of these over-all costs?

The WITNESS: Yes.

Mr. IRVINE: I presume business practice would demand that?

The VICE-CHAIRMAN: Yes. This would only represent about .5 of your total business, would it not?

The WITNESS: Yes.

The VICE-CHAIRMAN: .82 I think you said was the bread total.

Mr. CLEAVER: .24 per cent of 30 per cent would be .85 per cent.

The VICE-CHAIRMAN: .82 per cent.

The WITNESS: .82 per cent is right.

The VICE-CHAIRMAN: And this 53 per cent of that—

Mr. CLEAVER: I understood the witness a few moments ago to say that the cottage loaf amounted to 30 per cent.

Mr. LESAGE: No.

The VICE-CHAIRMAN: All right, go ahead.

Mr. IRVINE: I was just attempting to get some estimate now or later of the actual profit made on these two classes of bread to see if it would not be possible to sell the Canada loaf at the same price as the other.

Mr. FLEMING: You mean, the net profit?

Mr. IRVINE: Yes.

Mr. LESAGE: Including the cost of selling, and so on?

Mr. IRVINE: Then, let us have that.

Mr. FLEMING: Could a question be asked of Mr. Meech if, in their cost accounting branch, they have that figure isolated?

The WITNESS: No, we haven't got that figure isolated. Our over-all gross profit, as we advised you, is 17.75, which enables us to conduct our business to pay our expenses and leave a small percentage of profit.

By The Vice-Chairman:

Q. That is before or after taxes?—A. That is after taxes.

Q. 17.75 per cent?—A. 17 is the gross.

Q. That must be before taxes?—A. That is gross, that is before expenses.

Q. That does not devolve to the shareholders?—A. I am pleased you raised that point. When we speak of a gross percentage of 17.75, that does not mean that that is what the company makes. It has to earn that to pay its way.

By Mr. Cleaver:

Q. What about net profit?—A. To pay its way, then—

Q. What would be the net profit content of that, Mr. Meech?—A. In our last statement, Mr. Cleaver, it worked out at 2.27—2 per cent, that is all we had left of that 17.75.

Q. So that if we take the 2.27 from the 17.75 we have 14.48 as your cost of operating, and if your selling product 10 per cent it would look like 15.48 less—

Mr. HOMUTH: Oh, well now you could not figure it that way.

Mr. CLEAVER: Let the witness answer that.

The VICE-CHAIRMAN: I rather think that is a little too rough and ready cost accounting.

Mr. CLEAVER: I think the witness is more competent to answer that than we are.

The VICE-CHAIRMAN: Just a moment. If the witness wanted to answer that question, of course, there would be no objection. My own thought is that it is a little bit too rough and ready cost accounting.

Mr. CLEAVER: I was anticipating that the witness might come back and say; well on certain types of merchandise such as fresh fruits our operating costs are much higher than on a quick moving line such as bread; and I wanted the witnesses' answer, if I may have it.

The VICE-CHAIRMAN: I think we have given Mr. Irvine enough interruption arising out of my examination into what appeared to me to be a confusion of terms as they were being used.

Mr. IRVINE: Mr. Meech—

Mr. FLEMING: May I just clear this up, this, again, is just a matter of terms. This expression about the 17·75 per cent brought up by someone a moment ago, referred to as gross profit, I did not understand that that was the gross profit. I thought that was the margin on the selling price, over the price that the Loblaw company is paying.

The VICE-CHAIRMAN: Mr. Meech used that expression himself as gross profit.

Mr. CLEAVER: Gross profit includes selling costs?

Mr. IRVINE: That is what you had in mind?

The WITNESS: Yes.

By Mr. Irvine:

Q. You would not care to answer the question put by Mr. Cleaver, would you?—A. No, I have not got that information, sir.

Q. But your net profit on your entire business is 2·27 per cent; that is correct?—A. Yes, that is correct.

Q. Your net profit is 2·27 per cent, and the amount of the 1 cent margin on a loaf which costs 9 cents would be pretty nearly as much profit as you make on the entire turnover for the year.

Mr. BEAUDRY: If there is any margin of profit.

Mr. IRVINE: I am saying that the profit, if there is any, must be then on the margin of 1 cent on 9 cents—that would be a good margin.

The WITNESS: Mr. Irvine, we do not conduct business on taking a single item and looking at the cent profit on it. We have to get the over-all picture. We are forced by competition to take what we think is an unreasonable mark-up on this Cottage brand. There are other types of commodities on which we can get a proper mark-up; and they go as high, as you have heard in the evidence, in fruits to 26 and 28 per cent. But when it boils down to the final figures we have an over-all in our case—of gross profit, not mark-up—a gross profit over all our business on all our commodities, over 2,000 items, of 17·75 per cent profit; and out of that we are permitted to keep only 2·27; the rest of it goes into costs of services, taxes and so on. So that to take an individual item of bread and say we are getting so much—merchants do not do their accounting in that way, they take the over-all picture.

By Mr. Irvine:

Q. It is unfortunate then that we cannot get the actual picture on bread alone for that is the thing we are investigating. However, we will leave that for the moment. I think you said, Mr. Meech, on Friday last, that the 10-cent loaf

sold at the price indicated in Exhibit 19, to meet competition. What other companies sell bread at 10 cents, to your knowledge?—A. The A. & P. Company, Dominion Stores, Power Stores, to my knowledge. There may be others.

Q. Do they obtain their supplies from the same firm that you do?—A. They do not. I could not say that definitely. I am not aware of the source of supply of the Dominion Stores or Power. I understand A. & P. has a bakery.

Q. Do you know which business started selling the 10-cent loaf first? Was it Loblaw's or some of the others you have mentioned?—A. I do not know. I think it would be highly controversial.

Q. I think you said also that the Canada Bread loaf was the standard product sold by Canada Bread Company on a wide scale, and that one of the reasons they had to sell at 14 cents was because they had advertising costs made necessary by their endeavour to meet competition. Is the 14 cent price a standard price set by Canada Bread, or may Loblaw's charge whatever price they choose for this bread? For example, could Loblaw's sell Canada Bread at 10 cents if they wish?—A. Yes, but then we would be selling below cost, and it would be against our policy to sell below cost, but as far as doing so we could.

Q. That is what I wanted to make sure about. Do you know whether all Canada bread sold in the Toronto area is sold for 14 cents?—A. I do not know.

Q. I think you did say— —A. I would expect it to be.

Q. —that the price was the same for bread sold from the wagons?—A. Yes, but I do not know what individual merchants would sell Canada Bread for.

Q. In the agreement Loblaw's has with Canada Bread is there anything stipulated with respect to the resale price of any brand of bread which Loblaw's buy?—A. We have no agreement with the Canada Bread Company. All they receive from us are orders, day-to-day orders.

Q. I think you also said yesterday in justification somewhat of the increase in the price of bread, or the cost of bread to you that is charged by the bakers, that there was keen competition, and that some of it had to be spent in advertising. In this committee I believe we are working on the assumption that increased competition reduces prices, but if what you say is true then it appears that competition itself increases prices instead of reducing them.—A. It should not. Competition has always been a factor in lowering prices.

Q. You said yourself that part of these increased costs was justified by the amount spent in advertising, as an example, because of the keen competition.—A. I thought you were generalizing and not referring to the specific increase of the Canada bread.

Q. I am referring to that.—A. Unquestionably their costs have increased; so we have been told. We have no access to their costs. We have been told that owing to increased advertising, increased costs of ingredients, they have had to increase their cost to us.

Q. I am referring particularly to your own statement that owing to the keenness of competition more had to be expended in advertising, and thus you justified in part the increase shown in exhibit 19. If that is true, if that is a fair comment, then it is also fair to conclude that competition is one of the factors in increasing prices?

The VICE-CHAIRMAN: That is an inference of fact.

Mr. IRVINE: Which we will deal with later.

The VICE-CHAIRMAN: One is always entitled to draw such inferences of fact as he desires.

Mr. IRVINE: There is no harm in getting a poke in there.

The VICE-CHAIRMAN: Since you are using the language of pugilism what about the other maxim, do not telegraph your blow.

Mr. IRVINE: It all depends how blind you are.

Mr. BEAUDRY: I should like to point out that if we are going into that question a very pertinent question would be, has the cost of advertising increased? If it has not, I do not see how it can have any bearing on the question, and to my knowledge it has not increased.

The VICE-CHAIRMAN: Are you giving evidence?

Mr. BEAUDRY: I should like to.

By the Vice-Chairman:

Q. I want to ask a question. You have said there is no arrangement, no agreement, I think you said, with Canada Bread?—A. That is right.

Q. You are selling their bread at 14 cents?—A. Yes.

Q. I pose this to you. Suppose you cut that price to 13 cents what will be the reaction from Canada Bread, in your belief?—A. I do not know. We do know this, that in times like the present it is a dangerous policy for a company like our own to go out and unsettle prices by reducing prices which are selling at normal mark-ups. It brings a chaotic state of affairs into existence and leads to abuses which bring about hardships to independent dealers in many cases, who look upon such practices are purely momentary and not for any other exalted purpose. It would be something I would not like to conjecture an opinion as to what Canada Bread would say. We say it is not good business to do it. We say that selling Canada bread at that mark-up is a good, proper, sound mark-up for us to take, having regard to all the hazards which we encounter in our business.

Q. You could not say that you have or have not any fear of an adverse reaction from the supplier?—A. No, we have no fear.

Q. Or suspicion that he would react in some way in opposition to such a reduction by you?—A. He would think possibly it was unethical of us to sell below proper mark-ups.

Q. But whatever would be the reason for maintaining it at 14 cents any reaction of the Canada Bread Company is not the reason?—A. No.

Q. You say there is no agreement?—A. Definitely.

Q. And there is not anything hidden in the way of a sort of understanding?—A. None whatever.

Q. Clandestine or otherwise?—A. None whatever.

Q. You are a completely free agent?—A. Completely free agent.

Q. As far as this supplier is concerned?—A. As far as this supplier.

Q. Do you know of any other agreements that do exist between suppliers and retailers like this?—A. I do not.

Q. You have no personal knowledge?—A. No personal knowledge.

Q. I think you have already said you do not know whether or not all others do maintain the 14 cent price. You were referring mostly to the small independent stores?—A. Yes.

Q. You just said you do not know about them?—A. Yes, I do not know about them.

Q. Did you say that you believed the general price was 14 cents?—A. I believe that to be the general price.

Q. Excepting, I think, in Ottawa?—A. Yes.

Mr. CLEAVER: You asked that I should not interrupt Mr. Irvine.

The VICE-CHAIRMAN: Yes, I think Mr. Cleaver has the right of way here.

By Mr. Cleaver:

Q. What other type of goods do you sell at a mark-up of 10 per cent or less?

Mr. LESAGE: We went over that on Friday.

Mr. CLEAVER: Have you the volume?

The VICE-CHAIRMAN: I drew to the attention of the committee there are just ten minutes remaining.

Mr. CLEAVER: I may just put the question on the record to give the witness time during the lunch hour to ascertain the answer. My question, Mr. Meech, is as to what other commodities you sell at a mark-up of 10 per cent or less, and as to the volume those commodities would bear to your total volume of business?

The WITNESS: I have not got that information with me, Mr. Cleaver. If you like, since that falls in the category of a general request for information which has been made upon us and with which we are going to comply, may I furnish that information later. Naturally, butter is sold at less than 10 per cent and has a large volume.

Mr. CLEAVER: In order to be perfectly fair, I do not mind telling you the reason I want the information. I understood, from reading your evidence, that as to perishable commodities you had to take a higher mark-up and on fruits and vegetables it often went up to 27 or 30 per cent. I wanted to know the percentage volume of these quick-moving commodities like bread as to which you take practically no losses.

Mr. MACINNIS: In reply to a question, I think perhaps by yourself, Mr. Chairman, Mr. Meech said that—perhaps I have not got his exact words—it would be unethical to sell below proper mark-ups.

The VICE-CHAIRMAN: It was in answer to a question of mine referring to the 14 cents being reduced to 13 cents. He said he thought that would be unethical on their part.

By Mr. MacInnis:

Q. How would a proper mark-up be arrived at and who decides it?—A. Well, you can check the business; you have your expenses to meet, as every business man knows. He sharpens his pencil accordingly. His mark-up on one item will be so much and on another item it will be something else. The over-all picture gives him his average. It is an old, old question, "How are prices set"? I have asked Mr. Cork, our chairman of the Board, who has had sixty years merchandising experience, "how are retail prices set"? He scratches his head and says he does not know.

Q. I am not very much concerned about that, I want to find where this unethical part comes in?—A. The unethical part comes in, Mr. MacInnis, if companies or individuals go out and have price-cutting wars on this item and that item. It is going to make it very hard for business to be done on a basis that gives a profit to everybody.

Q. I was wondering, though, in your business, if you can do business cheaper than another firm, is there anything unethical, and this would have to be in relation to someone else, is there anything unethical for you to cut your mark-up because you can do business cheaper or more economically?—A. When I mentioned the unethical feature, it was in relation to a specific item. We are always reducing our prices. We do not think of the ethics of it. We look at what we can afford to do. It is just that cutting prices will unsettle the commodity market that makes it dangerous. In other words, when you cut price for a motive other than a true motive, that is you are cutting price to reach out for expansion at the expense of someone else, then it becomes unethical.

Q. How is this 14 cents a loaf for Canada Bread arrived at, ethically, if you like? The question is, how was it arrived at; who set it and then said you had come to an understanding that was the ethical price?—A. It bears a relation to our mark-up, Mr. MacInnis. When we were selling the same loaf at 10 cents, our mark-up was 25.5, so that now we are getting a mark-up of 26.

Q. You are talking in percentages?—A. Yes, of the mark-up. We are in the same mark-up category as we were when we were selling it at 10 cents.

Q. The mark-up category then, I assume, was the ethical point. I wished to know why it would be unethical. So far as you are concerned, if you are not marking up your merchandise with regard to any other firm, how could any arrangements be unethical?—A. Well, for the reason—

The VICE-CHAIRMAN: Are you not just, after all, enquiring into the meaning of the term as he uses it?

Mr. MACINNIS: No, my enquiry is more than that. It seems to me, if something unethical enters in here, there must be some agreement as to what is ethical between the various retailers.

The WITNESS: I know of no agreement between any dealers which is ethical. It is a matter of the principle on which you conduct your business.

Mr. PINARD: This little discussion on ethics is all very interesting, but I should like to know where the public comes in on this.

Mr. MACINNIS: This is exactly where the public comes in; that is what I am concerned about. If Loblaw's cannot reduce their prices, say on their 14 cent loaf to 13 cents because it would be unethical to do so in their relations with other firms who may not do business as economically or as efficiently as Loblaw's can do it, then there must be an understanding to maintain prices; that is where the public comes in.

Mr. BEAUDRY: That does not follow at all.

Mr. MACINNIS: You explain yourself, otherwise.

Mr. BEAUDRY: I will if you will permit me, very definitely.

Mr. MACINNIS: Just a minute, then.

Mr. BEAUDRY: May I submit an explanation as Mr. MacInnis requests?

Mr. MACINNIS: I asked a question of the witness.

The VICE-CHAIRMAN: Could we have enough order so that the witness could answer?

Mr. MACINNIS: I was not disturbing the order.

The VICE-CHAIRMAN: No, I know you were not.

Mr. BEAUDRY: I apologize for doing so.

The VICE-CHAIRMAN: Now, do you feel you can answer that question?

The WITNESS: Yes, I feel, Mr. Chairman, that the 14 cent price gives us a mark-up of 26 per cent, and we were making a mark-up of 25·5 per cent when we sold it at 10 cents. Now, when the price which seems to be the accepted price throughout the trade with all the independent dealers—I know of no others who will sell that bread at that price—and it conforms with our accustomed mark-up then we see no reason to interfere with that. The only part where ethics would come into it would be to try and steal the business away from the general community by so reducing the mark-up—and why would we reduce the mark-up when it is below a proper mark-up? We must have a motive. The motive would be ascribed to us at least, that we were trying to steal business which normally goes into the independent channels. We have to maintain a very high standard of policy in that regard. We will not allow ourselves to be accused of committing practices which have, in effect, the elimination of the healthy competition which we get from the independent dealers in our various neighbourhoods.

Mr. IRVINE: How can you say you have competition when you are not permitted to reduce the price of a commodity because other people have it at a certain price? If it is unethical to reduce the price by 1 cent per loaf in what sense is there competition in the price of that loaf? That is what I would like you to explain. This talk of competition does not make sense, if you do not compete either for lower prices or for something of value to the community. Otherwise, in what way do you compete?

The WITNESS: You could go from line to line, and commodity to commodity, and say why not reduce your mark-up, until you are under-selling what is considered a fair and proper price. Then you will find that you cannot possibly meet your expenses.

The VICE-CHAIRMAN: Well gentlemen, we have come to adjournment time.

Mr. CLEAVER: I think the competition Mr. Irvine is talking about and that referred to by the witness is slightly different. The witness is referring to business competition and Mr. Irvine is referring to competition on bread.

The VICE-CHAIRMAN: Now, gentlemen, we were practically through with Mr. Meech or it appeared so, and according to our decision adjournment time has arrived. I do not know whether we are going to ask Mr. Meech to come back after lunch or whether we will go on with another witness.

Mr. LESAGE: I had certain questions I wanted to ask when it was my turn.

The WITNESS: I was anxious to get away this afternoon.

Mr. LESAGE: My questions will only take three or four minutes.

The VICE-CHAIRMAN: Personally, I thought we would be through this morning.

Mr. LESAGE: I can be finished in three or four minutes.

Mr. FLEMING: Let us take those questions then and clear the matter up.

Mr. BEAUDRY: I might have three or four questions also.

Mr. FLEMING: I think, in fairness to Mr. Meech, it should be borne in mind that he was summoned on Thursday and he waited all day Thursday.

By Mr. Lesage:

Q. If you will turn to page 356 of the evidence you gave, at the bottom of the page there is a question "What is the relative volume of the various brands of bread that you sell in your stores?"—A. Yes.

Q. "53 per cent for Cottage, 30 per cent for Canada Bread, high quality, and 16 per cent for the balance?" Is that right?—A. Yes.

Q. Now is this a constant proportion, we will say for the last six months?—A. Yes that would be right.

Q. Now would you turn to exhibit No. 19, and with regard to your answer at page 368 you said "We were conscious at that time, on September 24,—". That is at page 368 and that is your first answer on the page.—A. Page 368?

Q. Page 368, the third paragraph, entitled "The Witness". You say "We were conscious at that time, on September 24, that we were not getting sufficient return on this volume of business and our buyer was made aware of that and we simply asked for further consideration". So on September 24, you deemed your mark-up of 3.5 per cent on Cottage loaves and 24.23 on Canada Bread loaves, and whatever the average is, was not sufficient?—A. That is right.

Q. Your rate of volume remaining the same, and 19 per cent on the Cottage loaf; that is it?—A. Yes.

Q. Do you feel that at that that particular percentage was too high?—A. No.

Q. Why then did you reduce to 10 per cent, the percentage of the Canada Bread loaf remaining the same?—A. We had to buy that figure.

Q. Pardon me?—A. We had to buy at that figure.

Q. Yes, all right. If your mark-up was not sufficient on September 24 how was it that you reverted to a lower percentage on January 3?—A. We did not do it voluntarily, Mr. Lesage; we had to do it to sell that loaf.

Q. You could have sold it at 11 cents, could you not?—A. No, not when our competitors were selling it at 10 cents.

Q. Oh, I see; and with the Canada Bread loaf you could not do it because the others were selling at 13 cents at the time?—A. Yes.

Q. Is that an example of what competition forces you to do?—A. Yes, it is.

Mr. BEAUDRY: In that case it would have effected a lowering of the price.

The WITNESS: Yes, it did.

Mr. MACINNIS: Is it not a fact that as you lowered the margin of your Cottage loaf, you raised it on Canada Bread?

Mr. LESAGE: No, he did not.

Mr. MACINNIS: Yes, he did.

Mr. LESAGE: Not at that time.

The VICE-CHAIRMAN: Gentlemen, we will adjourn until 4 o'clock. It is understood that Mr. Meech is through, gentlemen.

The committee adjourned at 12.53 o'clock p.m. to meet again this day at 4 o'clock p.m.

AFTERNOON SESSION

The committee resumed at 4.00 o'clock p.m.

The VICE-CHAIRMAN: Gentlemen, I see a quorum. Pursuant to instructions of the committee, the steering committee met immediately following the adjournment before lunch and, among other things, considered the telegram from Mr. Christensen. The Steering Committee came to a decision as to what should be said and directed me to send a letter which I have sent and which reads as follows:

OTTAWA, February 23, 1948.

Dear Sir:

Your telegram of yesterday addressed to Honourable Paul Martin as Chairman of the Prices Committee of the House of Commons was duly received by him and he remitted it to the Prices Committee for consideration and such action as might be appropriate. Your telegram was read at the opening of this morning's session. The Committee then referred the matter to its Steering Committee for consideration with power to act.

Immediately after the morning adjournment of the main Committee consideration was given by the Steering Committee to your said telegram, and particularly to your request that you be recalled to give evidence for a couple of hours on Tuesday of this week. I was directed to reply as follows.

The Committee has always been of the opinion that evidence given by you was only a start into the general subject of fruit and vegetable prices. The Committee understood that you would give evidence on Tuesday the 17th day of February and possibly Wednesday, but it had already arranged to go on with the general subject of bread on Thursday and the days thereafter. Several other subjects are lined up for consideration and the taking of evidence.

The Committee's decision is that you cannot be called for further evidence tomorrow. To do so would only have the result of keeping other witnesses, who have been called here, standing about awaiting call and, also, it is possible that your own evidence would not be finished in the time mentioned (two hours on Tuesday afternoon).

What the Committee would plan with respect to further evidence from you is that at a later time, as early as convenient from all points of view, you would be recalled for evidence. It should also be said that you may expect longer notice than was given you when you came here a few days ago.

Yours truly,

RALPH MAYBANK, M.P.,
Vice-Chairman Prices Committee.

Mr. MACINNIS: Mr. Chairman, am I correct in thinking that there was something in Mr. Christensen's telegram this morning to the effect that certain retailers had already been discriminated against by the wholesalers?

The VICE-CHAIRMAN: That was in the telegram.

Mr. MACINNIS: I suggest—

The VICE-CHAIRMAN: I do not think that is a part which was referred to the steering committee.

Mr. MACINNIS: No, that is outside, but I think the chairman should make inquiries and give publicity or take what other steps are available to see that it does not happen.

The VICE-CHAIRMAN: I think the committee will agree that very strong steps will have to be taken with respect to that sort of thing, and if any witness coming before the committee, or anyone for whom he is speaking, is going to be victimized there should be some appropriate action taken.

Mr. CLEAVER: Such victimization would be a breach of the orders already issued by the board.

The VICE-CHAIRMAN: Yes, but I think other steps possibly should be taken to prevent that sort of thing. It might be a good idea if any person subjected to discrimination would take steps to let this committee know, I was going to say either in confidence or otherwise, but of course if information is given in confidence it is very difficult to act.

Mr. HOMUTH: Mr. Chairman, in view of the fact the statement was made by Mr. Christensen it might be well for the steering committee to have seen him and found out, because while he makes the bald statement in the telegram we, as a committee, have no proof such has happened. I just hesitate to think people would do that, particularly in view of the inquiry that is going on, but we certainly cannot move unless we have much further proof than that contained in such a telegram.

Mr. IRVINE: Mr. Chairman, the wholesaler I believe could take advantage of a retailer without giving very clear evidence of his doing so. For instance, if there were goods in short supply he might take the trouble to acquaint a few of the buyers with the fact but he might omit to do so with others and thus show discrimination. That is an example and it would be very hard for us to get the evidence.

Mr. HOMUTH: The board's order clearly states that it must be done on a quota basis.

Mr. MERRITT: No doubt you will try to get in touch with Mr. Christensen and get some examples of what he says is taking place.

Mr. JOHNSTON: You have all the invoices and I imagine it would be one of those people against whom this victimizing has been taking place. Would it not be all right to circularize them, and make a general circular letter so that anyone who appeared could let the committee know?

Mr. HOMUTH: Well, if there has been discrimination or if it is possible to discriminate it would make the situation even more severe if you circularize them.

Mr. JOHNSTON: I do not think so.

Mr. HOMUTH: The evidence must come from the man who made the charge.

The VICE-CHAIRMAN: What would you think of this? Counsel will draw the attention of these people whose names are mentioned to the fact that Mr. Christensen has indicated that by reason of publication of their names they were being victimized. I am putting it shortly, and that is not exactly the way it is worded in his telegram. Counsel might write to them and ask for such information as they can give along that line.

Mr. JOHNSTON: That is the effect of what I had in mind.

Mr. MERRITT: Mr. Christensen was here in this room this morning and I believe he is still in town. Would not the simplest and most direct way be for someone on behalf of the committee to get in touch with Mr. Christensen and get him to particularize his charges, and the circularization would not be necessary?

The VICE-CHAIRMAN: Would you suggest perhaps a delegation consisting of yourself and Mr. Lesage?

Mr. LESAGE: I do not think I will go, Mr. Chairman.

The VICE-CHAIRMAN: I thought perhaps you were looking for a job.

Mr. MERRITT: No, Mr. Chairman, but I would say my record with Mr. Christensen is clear; I did not ask him any questions.

Mr. HOMUTH: Perhaps the situation is that after this publicity they may deluge these people with goods and they will not be able to sell them.

Mr. CLEAVER: I think the chairman's suggestion is a good one.

The VICE-CHAIRMAN: Is it agreed that we follow the course I have suggested?

Agreed.

Now I think we finished with Mr. Meech just before lunch. I believe that this afternoon we will call Dominion Stores.

Mr. DYDE: Yes, I would like to invite the Dominion Stores' representative, Mr. Squair, who has evidence to give on behalf of Dominion Stores.

Louis Daly Squair, Executive Vice-President, Dominion Stores, sworn.

By Mr. Dyde:

Q. Would you give us your full name, Mr. Squaire?—A. Louis Daly Squair.

Q. And your position with the company?—A. Executive vice-president.

Q. Your business address is Toronto?—A. Toronto, yes.

Q. Would you describe briefly for the committee the basis of operation of Dominion Stores? How many stores, for instance, have you in Montreal, Ottawa, and Toronto?—A. Well, Dominion Stores operate on what might be termed a decentralized plan and we have district offices in Halifax, Montreal, Ottawa, Toronto, and London. There are a different number of stores in each of those territories. In Halifax district there are 27 stores; Ottawa, 29; Montreal, 34; London, 39; and Toronto, 100; a total of 229.

Q. And in addition to the retail stores in the cities— —A. Those are not all in the cities.

Mr. HOMUTH: In the districts?

The WITNESS: In what we call our districts.

By Mr. Dyde:

Q. The Toronto stores may not be in the city of Toronto but may be outside?—A. Yes, they extend up as far as Chapeau in the northwest.

Q. And in addition to your retail facilities have you warehouse facilities?—A. We operate a warehouse plant in Toronto and one in Montreal.

Q. Can you give the committee an estimate of the volume of bread sales in your stores in the Toronto district and in the Montreal district?—A. No, our records do not show that, unfortunately.

Q. Can you give us any estimate?—A. We tried to compile some figures, which would be helpful on some of these points, from the information that we have available. We assumed that perhaps your interest would be in the sales of an individual store rather than in the whole organization and we

picked three stores for a recent week in the city of Toronto. In that week the percentage of bread sales on total sales in one store was 1.35 per cent, in another 2.73 per cent, and in the third store 3.19 per cent. That illustrates the variation that might apply between stores.

Q. And what proportion of your bread sales is in the 24 ounce loaf?—A. In these three stores we obtained a complete breakdown but I have not got it that way. We are buying bread from six bakers in one store, five in another, and five in another.

Q. Yes, but you can say though, with reference to the 24 ounce loaf, that it is a major portion of your sales?—A. Yes, very much so.

Q. But you cannot give an estimate of the percentage?—A. If I had compiled it that way I would have had it. In this particular store it is between 75 and 80 per cent. I have just totalled it up.

Q. And would you say that is a fair percentage all around?—A. I think it would be a general indication.

Q. And the 24 ounce loaf is sold wrapped, and in most cases unsliced, is it not?—A. Principally, yes.

Q. Would you say a very small proportion is sliced?—A. In one store it was .53 per cent of our bread sales; in the next store it is 2.84 per cent; and in another store 1.25 per cent.

Q. So that the main volume of business is in the 24 ounce loaf, unsliced?—A. Unsliced, yes.

Q. How many brands of bread does Dominion Stores sell?—A. In what area, or do you mean altogether?

Q. Yes, altogether.—A. I have not got the figures. We do a lot of buying in these district offices; and, just a rough guess, we would be buying from certainly forty or fifty bakeries throughout the whole of our organization.

Q. Can you give us the names of the brands which are sold in the Toronto or the Montreal district?—A. Yes. I have a complete breakdown for the week ending January 10.

Q. And for these stores?—A. By bakeries, by the price of both. This was quite a job, even for these three stores.

Q. Give us the results of these three stores.—A. I think it would be better—

Q. Perhaps you could at least tell me—we have another mimeograph return here. Perhaps you could tell me the brands that are sold and we could have them read into the record.—A. In Toronto—and I will give it to you from store No. 1—we buy bread from Dempster's, Christie's, Brown's Bread, Weston's and General Bakeries.

Q. Are those all a first-quality loaf or is there a difference in the quality?—A. Well, there are two types of bread; for instance we are buying bread from Dempster's, what we call a Soya loaf. That is the 12 ounce loaf. Sultana, that is a 16 ounce loaf; Vienna, in a 24 ounce; whole wheat in the 24 ounce; a malt in the 16 ounce; small whole wheat in the 16 ounce. Christie's, we are buying what they call their regular loaf, that is unsliced and sliced.

Q. What size?—A. Both 24 ounce. From Brown's Bread there is a rye in a 20 ounce, black in a 20 ounce loaf; and the French stick in a 24 ounce loaf.

Q. And Weston's?—A. Weston's—just their buttermilk loaf, 24 ounce.

Q. General Bakeries?—A. Richmello, which is our own label, their own loaf which is unsliced, 24 ounces; and their sliced loaf.

Q. And Richmello also sells 24 ounce?—A. Richmello, 24 ounce, yes.

Q. And your store No. 2—where is it?—A. It is in Toronto, these are all in Toronto.

Q. All right.—A. We don't handle—we are buying from Dempster's, Christie's, Weston's, General Bakeries, Molly Pearl's and Beaver Brand.

Mr. MacINNIS: That Molly Pearl, is that the name of a brand or a bakery?

The WITNESS: That is the name of a bakery. Incidentally, that is nearly all what we call a fancy type of bread.

By Mr. Dyde:

Q. And in your No. 3 store?—A. We are buying from Dempster's, Christie's, Weston's, General Bakeries and Molly Pearl.

Q. And the Richmello you speak of is your own brand?—A. That is right.

Q. Which you purchase from General Bakeries?—A. Yes.

Q. Have you a general contract other than day-to-day sales orders for that brand of bread?—A. No, we have no contract.

Q. Have you any arrangement or agreement with regard to that particular brand; I mean, covering the supply of it?—A. No. We buy from them at the sale price. We have no agreement or contract.

Q. Are you able to give the committee an idea of the relative volume of Dominion Stores' sales of your own brand as contrasted with the other brands?—A. Yes. We can give you an absolutely accurate breakdown of the figures for these from three of our stores. And, incidentally, we picked these stores at random, believing it was something along this line in which the committee was interested; but it would be impossible to do it covering our whole operation; but on these three stores we are giving you we have absolutely accurate figures. In the No. 1 store—and I think perhaps this will be of interest—it is in a working class area; sales of Richmello, 39·75. Store No. 2, which is in a medium class area, the Richmello sales were 17·65 of the total amount of sales and Store No. 3, which we would consider to be a class in between these two, another type of customer, 30·94.

Mr. HOMUTH: You said, a working man's district and a medium type district and now you say this one is in between the two, a medium type. Would you explain that?

The WITNESS: In between the two. If I arranged it that way it might even be better. The No. 1 store is in a working class district, very much so. No. 2 store is perhaps a little better income group; and the No. 3 store is a higher income group still.

Mr. HOMUTH: Yes, the No. 3 is a still higher income group?

The WITNESS: No, the No. 2.

The VICE-CHAIRMAN: The one that was mentioned second. The witness meant, I think, it was a district where incomes were larger.

Mr. HOMUTH: I see, but the higher income group is the store which you call No. 3?

The WITNESS: Yes, where the sales were 17·65 per cent.

Mr. PINARD: I understood you to say that all three of these stores were in Toronto?

The WITNESS: In Toronto, yes.

Mr. MACINNIS: What was the percentage of Store No. 3?

The WITNESS: 30·94.

Mr. CLEAVER: Are these percentages of dollar sales or weight?

The WITNESS: These are dollar sales.

By Mr. Dyde:

Q. Now, are you able to give us an estimate over-all? You said you could give it exactly for these three stores, could you give an estimate over-all?—A. Related to our total sales?

Q. No.—A. Yes. There is the No. 1 store, 1·35 per cent.

Q. No. You are misunderstanding me. I am sorry. What I meant; you have given us the relative sales of bread in these three stores exactly, but I was

wondering whether over-all of your operation you could give us an estimate of the percentage there, over the whole of your operation.

The VICE-CHAIRMAN: Of this Richmello?

Mr. DYDE: Yes, the Richmello loaf.

The WITNESS: No, I cannot give you that. It would only be a guess.

By Mr. Dyde:

Q. Very well. Is Dominion Stores limited by any of the bakeries which supply Dominion Stores in the supply that you receive of the lower priced brands of bread?—A. You mean as to quantity.

Q. Yes?—A. No.

Q. There is no limit whatever?—A. No.

Q. Then, do you voluntarily limit the supply that you order of the lower priced brands?—A. No, the consumer determines that.

Q. I have asked you to bring with you today a statement showing the selling price of these various brands in Toronto, Montreal and Ottawa; and we have that in the form of a mimeographed sheet. This was prepared by you and your officers and secretariat, Mr. Squair, was it not?—A. That is right.

Mr. DYDE: That will be Exhibit No. 20.

EXHIBIT No. 20: Selling prices and costs of bread—Dominion Stores.

Mr. DYDE: And I assume, Mr. Chairman, that in the same way as we dealt with Exhibit No. 19, you would like to have that printed in the evidence.

The VICE-CHAIRMAN: I think the committee will agree that this will be the proper place to print this as though it had been read into the record.

Some Hon. MEMBERS: Agreed.

DOMINION STORES^{*} LIMITED

Selling Prices and Costs of 24 ounce, wrapped, unsliced loaves of bread

	At Sept. 1, 1947	At Sept. 18, 1947	At Sept. 25, 1947	At Oct. 2, 1947	At Jan. 27, 1948	At Feb. 3, 1948
TORONTO STORES						
<i>"Richmello" Brand</i>						
Selling price—per loaf.....	*7.50¢	*7.50¢	10.00¢	10.00¢	10.00¢	10.00¢
Cost price—per loaf.....	6.50	6.50	9.50	9.00	9.00	9.00
Gross Margin, before deducting warehousing and selling expense.....	1.00¢	1.00¢	0.50¢	1.00¢	1.00¢	1.00¢
% Gross Margin to Selling Price.....	13.3%	13.3%	5.0%	10.0%	10.0%	10.0%
<i>General Bakeries—1st Quality</i>						
<i>Christies Bread</i>						
Selling price per loaf.....	10.00¢	13.00¢	13.00¢	13.00¢	14.00¢	14.00¢
Cost price—per loaf.....	7.60	10.45	9.98	9.98	10.93	10.93
Gross Margin, before deducting warehousing and selling expense.....	2.40	2.55	3.02	3.02	3.07	3.07
% Gross Margin to selling price.....	24.0%	19.6%	23.2%	23.2%	21.9%	21.9%
<i>Weston's Bread</i>						
Selling price—per loaf.....	10.00¢	13.00¢	13.00¢	13.00¢	14.00¢	14.00¢
Cost price—per loaf.....	8.00	10.40	10.40	10.40	11.20	11.50
Gross Margin, before deducting warehousing and selling expense.....	2.00¢	2.60¢	2.60¢	2.60¢	2.80¢	2.50¢
% Gross Margin to selling price.....	20.0%	20.0%	20.0%	20.0%	20.0%	17.9%

* Selling price—2 for 15¢

DOMINION STORES LIMITED

Selling Prices and Costs of 24 ounce, wrapped, unsliced loaves of bread

	At Sept. 1, 1947	At Sept. 18, 1947	At Sept. 25, 1947	At Oct. 2, 1947	At Jan. 27, 1948	At Feb. 3, 1948
MONTREAL STORES						
<i>"Dominion" brand</i>						
Selling price—per loaf.....	7-50¢	10-00¢	10-00¢	10-00¢	11-00¢	10-00¢
Cost price—per loaf.....	6-25	9-25	9-25	9-25	9-75	9-50
Gross margin before deducting ware- housing and selling costs.....	1-25¢	0-75¢	0-75¢	0-75¢	1-25¢	0-50¢
% Gross Margin to selling price.....	16-7%	7-5%	7-5%	7-5%	11-4%	5-0%
<i>Bakers's First Quality (5 Suppliers)</i>						
Selling price—per loaf.....	10-00¢	13-00¢	13-00¢	13-00¢	14-00¢	14-00¢
Cost price—per loaf.....	8-10	10-80	10-80	10-80	11-25	11-25
Gross Margin before deducting ware- housing and selling costs.....	1-90¢	2-20¢	2-20¢	2-20¢	2-75¢	2-75¢
% Gross Margin to ceiling price.....	1-90%	16-9%	16-9%	16-9%	19-6%	19-6%
OTTAWA STORES						
<i>"Dominion" brand</i>						
Selling price—per loaf.....	7-50¢	7-50¢	10-00¢	10-00¢	10-00¢	10-00¢
Cost price—per loaf.....	6-50	6-50	9-00	9-00	9-00	9-00
Gross Margin before deducting ware- housing and selling costs.....	1-00¢	1-00¢	1-00¢	1-00¢	1-00¢	1-00¢
% Gross margin to selling price.....	13-3%	13-3%	10-0%	10-0%	10-0%	10-0%
<i>Standard Bread</i>						
Selling price—per loaf.....	10-00¢	10-00¢	13-00¢	13-00¢	13-00¢	13-00¢
Cost price—per loaf.....	8-50	8-50	11-00	11-00	11-00	11-00
Gross Margin before deducting ware- housing and selling costs.....	1-50¢	1-50¢	2-00¢	2-00¢	2-00¢	2-00¢
% Gross Margin to Selling Price.....	15-0%	15-0%	15-4%	15-4%	15-4%	15-4%

Mr. DYDE: Now I understand, Mr. Squair, that there are one or two corrections to be made in this exhibit; and, if the members of the committee will follow, we will make those corrections now. I think on page 1—these may not all be stapled together the same way, it is on page 2 of the copy I have—under "Montreal stores" and the very last line before the heading "Ottawa", there is "percentage of gross margin to ceiling price" which is written at 1-90. Now that should be "gross margin to selling price, and 19-00."

Mr. HOMUTH: Not to ceiling?

Mr. DYDE: Not to ceiling, it should be selling; and 19-00 instead of 1-90. Then there is another correction to be made under the heading "Toronto stores".

The VICE-CHAIRMAN: That is on page 1 which some of us have. They have not all been stapled together the same way, apparently.

Mr. DYDE: And under the heading, "Toronto stores—Richmello brand" and under the date "September 25, 1947" you will see figures one below the other "10-00, 9-50, 0-50 and 5-0 per cent". These should be changed. The first one remains at \$10.00. The second one should be 9-00, level 9 cents. The figure following that instead of being 50 cents should be \$1, and the figure following that 10 per cent instead of 5 per cent.

The VICE-CHAIRMAN: What was the final one 5 became 10?

Mr. DYDE: Five became 10. There is one more correction. The figures under October 2, 1947, Toronto Stores, Richmello brand, should come out altogether. There is no change at October 2, 1947.

The VICE-CHAIRMAN: Just cross that out?

Mr. DYDE: So that you cross out the column, "October 2, 1947", from the top to the bottom of the page.

Mr. HOMUTH: Right to the bottom of the page?

The VICE-CHAIRMAN: Right to the bottom of the page.

Mr. HOMUTH: Taking in General Bakeries?

Mr. DYDE: This is the page which starts "Toronto Stores" at the left hand side at the top.

Mr. CLEAVER: Some of these are stapled together with two Montreals.

Mr. LESAGE: It is also useless on page 2. There was no change.

The VICE-CHAIRMAN: On October 2, which deals with Montreal stores, and then Ottawa stores, that column of October 2 remains as it is mimeographed here, does it?

Mr. LESAGE: There was no change.

Mr. DYDE: No change.

Mr. LESAGE: If we cross it off on the first page we can do it on the second page because there is no change.

Mr. IRVINE: There is 9.25 and 9.75 on the second column of the same date.

The VICE-CHAIRMAN: The point is I suppose it is correct, but there has not been any change and therefore no need to have it there.

Mr. IRVINE: Which are you talking about?

Mr. DYDE: October 2, 1947.

The VICE-CHAIRMAN: If you will go over to the Montreal section and compare the price in that same column, October 2, with the price before it—

Mr. IRVINE: For Ottawa?

The VICE-CHAIRMAN: Yes, and Montreal.

Mr. IRVINE: There is a change for the same dates in Montreal?

The VICE-CHAIRMAN: Where?

Mr. IRVINE: Dominion brand, Montreal stores.

The VICE-CHAIRMAN: Which place? I do not think so.

Mr. IRVINE: It is a different column that comes out. It is not the same column.

The VICE-CHAIRMAN: The column of October 2, 1947 might just as well come out because it is not telling any new story.

Mr. DYDE: That all arose because at one time it was thought there was a change at October 2, in the Toronto stores, and the column was simply carried on, but the column is not necessary.

Mr. MAYHEW: Are those the same dates used in the exhibit submitted by Mr. Meech?

Mr. DYDE: No, they are not the same. They are not the same dates.

Mr. HOMUTH: Is there much variation?

Mr. MAYHEW: September 1 is the same.

Mr. DYDE: The times appear in that way because Mr. Squair was asked to let us have the information at a time when a change was made. If there was no change then the column simply carried on, but we asked him if he would be good enough to put those figures down at each change of price. Of course, his

price changes do not agree in time with the price changes of another store. I think perhaps we might look at the Toronto stores first in view of the fact we have spoken of their Richmello brand. In that case you have marked that the selling price is two for 15 cents at September 1, 1947 and at September 18, 1947?

The WITNESS: That is right.

By Mr. Dyde:

Q. I think I am right in saying that that price is the same at that date in Montreal although it is not so marked. I think we have it marked at 7.50 in Montreal?—A. Yes, but I expect that is 7½. I think it is identical.

Q. You expect it is two for 15 cents in each case?—A. I would think so, yes.

Q. And it stayed at that price until September 25, 1947, and it was on that date that the selling price increased to 10 cents and has remained at 10 cents ever since?—A. That is right.

Q. Then the second line is the cost price. May I ask you there if that is your true cost, that is, does that make allowances for all discounts, if any?—A. Yes, that is net.

Q. And throughout the exhibit it is correct to say, is it not, that where you speak of cost price you are speaking of the true cost price after deducting any allowable discounts?—A. That is right.

By Mr. Mayhew:

Q. As to that figure of 7½ cents a loaf it should be 8 cents if you are not buying more than one loaf, should it not?—A. Except that 95 per cent of the sales would be in lots of two.

Mr. HOMUTH: It might be well if we asked Mr. Squair whether or not he might give evidence as a former witness did that he preferred the 10 cent loaf to the other. I think he should get the same publicity as the other people did.

The VICE-CHAIRMAN: Do you want to sell a lot more 10 cent loaves by any statement?

By Mr. Johnston:

Q. To get this clear may I ask this question? Under the column September 1, 1947, you have got the selling price per loaf at 7½ cents, but what would be the price if you purchased a single loaf? I imagine there are a lot of loaves bought singly.—A. A very small percentage would be sold as single loaves at 8 cents.

Q. When they are sold as a single loaf it would be 8 cents?—A. That is right.

Q. What percentage would you say?—A. Oh, a guess would be 5 per cent sold in single loaf lots.

Q. I would think it would almost be the other way around.—A. This particular loaf is an economy loaf. It is produced and sold for the people who have to consider the cost of bread.

Q. They are 24 ounce loaves, are they not?—A. That is true.

Q. I would think on the surface of it there would be more sold singly than two at a time.—A. No. The people who buy this loaf in most cases are very interested in the price and require a good deal of bread, in other words, people with good sized families.

By Mr. MacInnis:

Q. Do you know if there is any nutritional difference between this Richmello brand and the other brands you have further down, Christies bread and Weston's.—A. In quality, did you say?

Q. Yes, nutritional value.—A. We hope not. We are buying the best. That is what we believe we are buying.

Q. That does not answer my question. Are there any ingredients that go into the others that would be likely to increase their nutritional value, and that do not go into Richmello brand?—A. We would not think so, and we are not buying it on that basis.

By Mr. Irvine:

Q. Have you proof that is so?—A. If we put somebody in the baker's plant and watched them mix perhaps we could tell. That is about the only way we could be absolutely sure.

By Mr. Homuth:

Q. Mr. Squair, the other day Mr. Merritt asked Mr. Meech how did he account for people buying the expensive loaf when the other was available, and Mr. Meech's answer is on the record. What would you say to that?—A. There might be a little different flavour in the bread, or some other reason why people would pay 14 cents for bread when you can buy it for 10.

By Mr. Johnston:

Q. You say there might be, but as far as you know there is not either in texture or flavour?—A. That is not peculiar to people's taste, palate, and it is not always due to difference in quality. There would be a number of factors that would influence them.

By the Vice-Chairman:

Q. They buy for 14 cents thinking it is better because it is a higher price?—A. In many cases, yes.

By Mr. Homuth:

Q. In other words, people would pay \$1.25 per bag of potatoes in preference to \$1 a bag simply because they were \$1.25?—A. In many cases that is true.

The VICE-CHAIRMAN: A husband going to buy bread instead of the wife might do that.

Mr. IRVINE: I would suggest that we ask Dr. Pett to analyze these loaves and publish the results. I should like to know and to let the people of Canada know whether they are buying an inferior loaf when they buy the 10-cent loaf.

Mr. LESAGE: If the bakers are going to come here we can ask them.

Mr. IRVINE: We ought to check on them anyhow.

Mr. LESAGE: After we have their answers may be it will not be necessary to check up.

By Mr. Mayhew:

Q. Would you think that the bakers were making a reasonable profit when you can sell that bread at 10 cents?—A. I would not know about that, but "storeing" bread after it is baked is a great deal a matter of opinion.

By Mr. Merritt:

Q. Are the 10-cent loaves confined exclusively to the chain stores, or do the independent corner groceries carry the 10-cent loaves?—A. To my knowledge I do not think so.

By Mr. Irvine:

Q. You mean you do not think the corner grocery stores have them?—A. I do not think they have them generally speaking, but my knowledge would be rather limited on that point.

By Mr. Mayhew:

Q. The bakers would not refuse to sell it to them, would they?—A. I do not know that either.

Mr. LESAGE: Do I understand that Mr. Dyde is going to ask questions of the witness in an orderly manner?

The VICE CHAIRMAN: Mr. Dyde was not through. He is not taking any exception to the break-in there has been, but he is not through.

Mr. JOHNSTON: I suggest Mr. Dyde finish his questions.

The VICE CHAIRMAN: Mr. Dyde will resume.

By Mr. Dyde:

Q. Mr. Squair, would you look at the gross margin under the heading "Christie's bread" in Toronto stores, and the gross margin in Weston's bread. Under Christie's bread the gross margin was 2.40 cents at September 1, 1947. You see that figure?—A. Yes.

Q. And at February 3 in the same bread it is 3.07 cents?—A. That is right.

Q. When you come down to Weston's bread the corresponding figures are 2 cents and 2½ cents. In each case there is an increase from September 1, 1947, to February 3, 1948 in the gross margin as expressed in cents and not as expressed in percentages?—A. That is correct.

Q. Will you tell the committee why that has taken place?—A. Well, I am in a little difficulty in following it due to the fact the selling price has advanced 4 cents a loaf.

Q. That is the reason, is it, that the selling price having advanced 4 cents a loaf your margin has advanced in the one case by .67 cents and in the other case ½ a cent, and that is totally referable to the advance in the selling price, is it?—A. Well, it is due to the fact that the selling price has advanced more than the cost.

Q. And I am really asking you why the selling price has advanced more than the cost?—A. This is a procedure that takes place hundreds of times a week on 1,500 commodities we are handling. Neither the dollar and cent margin or the margin of percentage remains constant over any particular length of time. This is the normal procedure.

Q. I can understand your answer but then, too, I think it is difficult to give that as an explanation, Mr. Squair, of the increase, simply because your selling price has gone up. In other words, let me give the specific item: Christie's bread, on September 25, 1947, you were selling it at 13 cents a loaf and on January 27, 1948, it goes up to 14 cents a loaf. Now, may I ask you how that took place? You started out business on the morning of January 27th with bread at 14 cents when the previous day it had been 13 cents. How did you fix that price at 14 cents?—A. Well, our cost advanced.

Q. Is that the only reason?—A. That would be the only reason which would interest us.

Q. So, you looked at your cost that day and said, "We will sell it for a cent more because of the advance in cost". What you are saying now is that the selling price is referable to the cost and as the cost goes up the selling price goes up?—A. No I did not say that.

Q. Well, you say what you said.—A. I said that could be the reason.

Q. Was it the reason?—A. I do not know. I would have to be the price maker in this case to answer that.

Q. Who is the price maker?—A. We have, as a rough guess, fifty.

Mr. IRVINE: I guess those are the people we want to see.

The WITNESS: I think it might throw a little light on this, after listening to Mr. Meech this morning, if I interjected here, providing I have your permission, an illustration of the procedure of pricing merchandise in food stores, not

necessarily chain stores, but all food stores. There is a very definite technique required in the proper adjustment of products in a store; that is not constant. We are only interested in the final outcome and not in selecting one product and saying the mark-up is this on that and this on something else. Our interest is the over all result of that constant adjustment of pricing.

To pick out one item on one day and ask why that had been done, only the price maker could say and even he would only be dealing with it in what you might term shades of price adjustment.

Mr. IRVINE: It is a study in relativity.

The WITNESS: That could describe it, yes.

By Mr. Dyde:

Q. When you speak of a "price maker" are you referring to a particular person? Is it the price maker in the Dominion Stores of whom you are speaking, or what is it?—A. We call them price makers. Some organizations call them merchandisers. In some organizations the buyer does it. The performance of that job, and how well it is done, determines what our results will be at the end of any period.

Q. So am I right in saying this, there is an official in the Dominion Stores who is a price maker?—A. Not one, probably fifty.

Q. That particular individual, would he not confine his attention to bread?—A. Confine it to bread?

Q. Yes, when he is setting the price of bread?—A. Oh no, he would consider the over-all picture.

Q. I thought a few moments ago you said bread went up from 13 to 14 cents on January 27, because the cost went up approximately a cent?—A. When he has a change in cost, he would review his selling price of that item.

Mr. BEAUDRY: Would you be kind enough to talk a little more directly to the members of the committee at this end, please.

The WITNESS: Yes. At that time, when there was a change of cost, the price maker, or whoever is dealing with the pricing, would review his selling price. If his cost changed, he would review his selling price and he might change it or he might not.

By Mr. Pinard:

Q. You must have a staff of price makers with one particular official heading that staff or do the fifty price makers make up their own minds?—A. We have price makers from Windsor to North Bay.

Q. How do you account for the fact the price changes at the same time? There must be agreement between them to change the policy?—A. I do not quite follow that.

By Mr. Lesage:

Q. Is there one price maker for Toronto or one for each store?—A. There would be in the city of Toronto one merchandising head.

Mr. IRVINE: May I ask this, then—

By Mr. Lesage:

Q. I should like Mr. Squair to finish his answer to my question. He said, there was one merchandising head and then—A. In the city of Toronto.

By Mr. Pinard:

Q. Does he fix the prices or what does he do?—A. He examines our costs and selling prices; that is his job.

Q. For all of the Toronto stores?—A. Yes.

By Mr. Homuth:

Q. Would it not be better to use the word "determines" rather than "fixes"?—A. Well, perhaps.

Mr. JOHNSTON: Are we going to ask questions now?

The VICE-CHAIRMAN: Mr. Dyde still has quite a number of questions to ask. On the other hand, the way we have been operating here has been to permit a certain amount of interjection so long as it did not interfere, either with Mr. Dyde's questioning or with another member of the committee. Counsel does not seem to be objecting at the moment. Sometimes he has given me a nudge to indicate he desires to get along with his questioning and the committee has always been willing to permit him to do so. So far the questioning has been in order.

By Mr. Irvine:

Q. The question I should like to ask is, before the price adjuster, maker, fixer or whatever you call him, can raise the price of a loaf of bread by one cent, he would have to relate that to every other commodity handled by the store?—A. To some extent.

The VICE-CHAIRMAN: What is that?

The WITNESS: To some extent.

Mr. IRVINE: It would be some job.

Mr. HOMUTH: Perhaps the picture would be cleared up as regards the increased price and decreased profit if the percentage of gross margin to the selling price was taken into the same picture in the questions Mr. Dyde is now asking.

By Mr. Dyde:

Q. I think perhaps I might ask you this question, Mr. Squair, so that there will be no misunderstanding about what I was doing. I was referring to bread and to the two particular figures under Christie's bread and under Weston's bread, the 2·40 cents and the 3·07 cents. I think Mr. Homuth would like you also to point out that, at that time, on those two occasions, the percentages of gross margin were successively 24 per cent and dropping to 21·9 per cent. I think that is what you wished me to bring out, was it not, Mr. Homuth?

Mr. HOMUTH: Yes.

By Mr. Dyde:

Q. And that also, the same thing happened under the heading "Weston's bread". We had a gross margin drop from 20 per cent to 17·9 per cent. My questions were directed, it is true, to cents and for the same reason I directed questions along that line to the previous witness because I felt that the committee and all of us were interested in why this cents margin should go up, respectively of the percentage. Now, is it for the purpose of maintaining the gross percentage margin, because you did not do that, in effect, did you? When our margin goes from 2 cents to 2½ cents for Weston's bread, your margin, as percentage, drops, does it not?—A. That is true.

Q. If your price maker were intent upon maintaining the gross margin at percentage, he would have raised the price higher than 14 cents, would he not?—A. If that was his objective, yes.

Q. What is his objective in fixing the price? Is it to maintain a reasonable margin in his opinion, or what is it?—A. An over all return that will keep us in business. As I tried to say, he does not pick out bread and deal only with bread. He is influenced by the other pricing which takes place. There are many factors. There is nothing except a pattern of merchandising to follow.

I have been in the business for close to thirty years and I do not know of any other approach to it, nor have I ever seen anyone with a different approach to it.

Q. May I put another question? The last figure under Christie's bread, at the right hand bottom corner, is 21·9 per cent gross margin. The last right hand figure under Weston's bread is 17·9 per cent. Is your price maker satisfied with the fact that on one your gross per cent is 17·9 and on the other 21·9 per cent; why that difference?—A. I do not know what you mean by "satisfied"

Mr. HOMUTH: Contented.

By Mr. Dyde:

Q. I am really wondering why, if 17·9 per cent is a sufficient margin on Weston's bread, why he cannot be satisfied with a 17·9 per cent margin on Christie's bread?

Mr. CLEAVER: It looks as if somebody fixes the prices and the percentages go where they may.

The WITNESS: I think we should understand this; the percentage figures are purely a yardstick, a measuring stick.

Mr. CLEAVER: Is it not a fact that somebody fixes the price of the bread and the percentages are simply the result of those figures?

Mr. DYDE: Would you answer that, Mr. Squair.

Mr. CLEAVER: Christie's fix the price of their bread as 14 cents?

The WITNESS: I do not know that it would be fair to say Christie's fix the price of their bread but I think it would be proper to say they indicate what it should be sold for.

Mr. CLEAVER: It does not cost you any more to sell Christie's bread than it does to sell Weston's?

The WITNESS: It could, depending on the volume. It could very easily have a definite bearing on your cost of sale.

Mr. MACINNIS: Do you say, Mr. Squair, that Christie's indicate the price at which bread should be sold?

The WITNESS: Yes, I think that is their say so, but whether they would try to enforce it—

Mr. MACINNIS: How strong is the indication, or the word indicate?

The WITNESS: We have never explored it for this reason. We sell a loaf of bread just as good as Christie's for 10 cents a loaf.

Mr. DYDE: You are referring to the Richmello?

The WITNESS: The Richmello, and if the consumer is interested in bread at 10 cents, 4 cents less, he pays 4 cents less and as far as Christie's are concerned our interest is a little more lukewarm.

By Mr. Johnston:

Q. How do you know it is just as good? You do not analyze it?—A. Yes we score bread all the time.

Q. I think the question was asked of you as to what was the difference between 10 cent and 14 cent bread?—A. I said in my opinion there is no difference.

Q. But now you state there is?—A. Just in the price.

By Mr. Homuth:

Q. He said they did not analyze for the vitamin content and so on.

The VICE-CHAIRMAN: Just a moment, he was justified in giving that answer with regard to a quotation from the record.

Mr. DYDE: How do you score bread, when you talk about scoring?

The WITNESS: I think it would be better to ask a baker for a technical description than to ask me.

Mr. HOMUTH: Ask the housewife who makes sandwiches?

The VICE-CHAIRMAN: You did not bring a housewife with you.

The WITNESS: No, I am sorry.

The VICE-CHAIRMAN: With respect to asking a baker, do you mean an expert in your own organization?

The WITNESS: Oh no, we have it analyzed very frequently. We send bread to New York to have it scored.

Mr. MAYHEW: You say that a woman off the street, or a man, goes in and he would buy a 14 cent loaf thinking he is getting better value—

The VICE-CHAIRMAN: Your voice is too soft, Mr. Mayhew.

By Mr. Mayhew:

Q. A person who goes into your store will buy a 14 cent loaf rather than a 10 cent loaf but you cannot explain the reason for that?—A. No.

Q. But yet, you are a good business firm and you yourself come along here and you pay Weston's 11½ cents for a loaf of bread and you can buy another loaf from Christie, apparently just as good, for 10.93 cents. That would make a considerable difference to you?—A. Are you asking why would we pay Weston's more?

Q. Why would you pay Weston's more than Christie's?—A. I could not tell you that.

Q. Is it because they are both advertised a lot and the public come in and ask for it?—A. There are many things other than price in buying merchandise that determine what you pay. There are many factors other than price.

Mr. IRVINE: Your patrons would ask for both?

The WITNESS: Yes, they might.

By Mr. MacInnis:

Q. What do you mean by sending bread to New York to be scored? What is the meaning of the word "scoring"?—A. Testing, analysis.

Mr. IRVINE: Which kind of analysis?

The WITNESS: That is what they call testing bread.

By Mr. MacInnis:

Q. Have you the results of this scoring from New York on different kinds of bread?—A. The only things that we would deal with would be our own.

Q. Well, you sell different kinds of bread and I assume you send it all?—A. No, do not misunderstand me. I say that we have sent it to New York.

Q. Samples?—A. Yes, but we cut bread half a dozen times a week, in our buying office.

Mr. PINARD: Where do you send the bread to in New York?

The WITNESS: I could get that for you but I do not know off hand.

By Mr. Johnston:

Q. What part of your organization, or who in your organization is responsible for sending bread to New York and getting the results back?—A. Our vice-president in charge of merchandising I would think.

Q. He would have complete records in reference to the differences in quality of the bread?—A. Yes, but not from a nutritional standpoint. I think it would be just for texture and colour.

Mr. HOMUTH: I think it should be made clear whether bread is scored for nutritional value or whether it is according to its texture and sliceability and so on.

The VICE-CHAIRMAN: I was going to suggest all of these breads under review ought to be submitted to the research department or the research bureau—

Mr. IRVINE: Hear, hear.

The VICE-CHAIRMAN: —or other suitable agency for as comprehensive a report in all respects as we can obtain.

Mr. HOMUTH: And brought in here in the form of sandwiches.

The VICE-CHAIRMAN: That is the idea, and we might lay them down in the form of sandwiches and then have you pick out the 10 centres or 14 centres.

Mr. PINARD: I think it must be done by the health authorities.

The VICE-CHAIRMAN: Well, would it be agreed that the secretariat should see that as complete an examination as possible be obtained from the government service.

Agreed.

Well, I suggest that counsel set those steps in motion.

Mr. LESAGE: I do not remember whether counsel asked the witness by whom the Richmello brand was made?

The WITNESS: General Bakeries.

Mr. LESAGE: General Bakeries?

The WITNESS: Yes.

By Mr. Beaudry:

Q. What is the answer in the case of the Montreal stores and Dominion brand?—A. That is Inter-City.

Q. In the case of Montreal it is Twin City?—A. Inter-City.

Q. And with regard to the five suppliers, would you be good enough to give the names of the five suppliers?—A. Yes, I have it here. The five suppliers are Inter-City Bakery Co., Harrison Bros., Dent Harrison & Sons, General Bakeries Ltd., and James Strachan.

The VICE-CHAIRMAN: Just a moment. Mr. Squair, without offence to you your voice has been described as too gentle and soft. You will have to bear in mind those men at the other end of the table. They have been giving me signals for a while and finally one got to the point of writing me a letter and his description of you is shown in writing. You will bear that in mind.

By Mr. Beaudry:

Q. And in Exhibit 20, the second page, under the heading "Montreal Stores" "Baker's First Quality (5 suppliers)", is what is shown as cost price an average cost between five suppliers, or is it a standard price or cost from each and every one of the five suppliers?—A. From what I have here it is identical.

Q. Your answer is that each one of these suppliers sells you this bread various types of bread I assume, or would they be all similar?—A. No, it would be the standard 24-ounce loaves.

Q. All white bread, wrapped, and unsliced?—A. I would say so.

Q. At what you might term identical bread?—A. I would say yes.

Q. That is five different companies sell it, or sold it to you on September 1 at 8·10; on September 20 at 10·80; on September 22 at 10·80; on October 2 at 10·80; on February 2 at 11·25 and on February 9 at 11·25. Each of those five bakeries on the same date sold loaves of bread to you at identical prices?—A. That is the information I have here, yes.

Q. And do you know if there is any connection, and if you are not competent on that you could defer your answer. Do you know if there is any connection between the Inter-City Bakery, Harrison Bros., General Bakeries, and James Strachan?

The VICE-CHAIRMAN: Mr. Irvine will take the chair for a few minutes. (Mr. Irvine assumed the chair.)

The WITNESS: I would not know.

By Mr. Beaudry:

Q. You do not know?—A. No.

Q. If there is any connection between General Bakeries Toronto, and General Bakeries Montreal? Is that the same company operating in different cities?—A. Yes, as far as I know, but I would not have very accurate information on that.

Q. Is Christie's, or what you term Christie's, and Weston's bread made by two separate companies called Christie's and Weston's?—A. Yes.

Q. Is Christie's bread or what is termed Christie's bread made by General Bakeries?—A. No, Christie's make their own bread.

Q. Well for purposes of reference, under the heading General Bakeries, you do not mean General Bakeries Ltd., you mean bakeries at large? I am referring to the first page of Exhibit 20.

Mr. LESAGE: Or does it apply to Richmello?

The WITNESS: There is a firm called General Bakeries.

Mr. BEAUDRY: But you have a heading under "Toronto Stores" "Richmello," and then you go to another heading, "General Bakeries—1st Quality." Is that General Bakeries the firm?

Mr. DYDE: I think I can answer that. It is perhaps the result of the way in which those figures were made up. On the page under "Toronto Stores," General Bakeries there means General Bakeries Ltd. first quality, and the figures for General Bakeries first quality loaf, and for Christie's bread happen to be identical and therefore they were put in in that way.

By Mr. Beaudry:

Q. So, Mr. Squair, it seems that according to these figures on February 3, 1948, you are purchasing from General Bakeries Toronto bread to be resold at 14 cents, or which you resell at 14 cents, manufactured by General Bakeries at a cost of 10.93 cents, and you are purchasing in Montreal from the same firm, General Bakeries, what I assume to be a similar loaf of bread at 11.25 cents. Is that right?—A. That is correct.

Q. Have you any explanation for the discrepancy in price as between Toronto and Montreal?—A. No, it would appear that our buyers are not as effective in Montreal.

Q. Well I wonder if you could give me a little more specific answer?—A. I cannot, no.

Q. I assume your buyers, if they are doing their job of buying, are buying in competition?—A. We do not ask for tenders, if that is what you mean.

Q. No, but here is a point, and I will leave it to the committee as to whether this should be put in the form of another question or not. In Toronto you are apparently purchasing from one baker, General Bakeries. You purchase that type of bread, the one we are discussing at 10.93 in Montreal. You divide your purchasing to five bakeries, none of which so far in the record have any connection one with the other, and yet where you are buying in what you might call a competitive selling market from the point of view of bakers you are paying 11.25. I am asking you from the point of view of purchasing and eventually the remerchandising, if there is nothing which strikes you as being

a bit peculiar in that procedure?—A. No, there is nothing peculiar so far as I can see; and it is a little difficult for me to tell you the exact reason, but my guess would be this; that Christie's and General Bakeries are competitive in Toronto and General Bakeries and Inter-City or whoever it is are competitive in Montreal. We have not been able to do anything about it.

Q. No, I appreciate that; but the point I am driving at is this: in Toronto you are buying from the competition of two suppliers?—A. That is right.

Q. In Montreal you are buying from the competition of five suppliers?—A. That is correct.

Q. And yet the competition between these five suppliers is apparently weaker or less effective than the competition between the two suppliers in Toronto because in fact and in effect the purchase price to you in Montreal from any one of these five is higher than it is in Toronto?—A. You can draw that conclusion, but I cannot say why it is.

Q. I am asking you, to draw conclusions. You see, that is the fact in so far as these bakeries are concerned.—A. That is what it looks like here. That is all I can say.

Q. You could not offer any explanation?—A. No, I could not.

Mr. HOMUTH: Might I ask this question? Might it not be because of the tremendous increase in the business with the two Toronto firms as against the five in Montreal, the competition in Toronto is between two very, very large bakeries.

The WITNESS: It might be.

Mr. BEAUDRY: Oh, but, Mr. Homuth, I am afraid if that were the case it would be much simpler to buy from one bakery instead of from two or five, and get a lower price if that were the argument.

Mr. HOMUTH: Oh, no.

Mr. BEAUDRY: Yes.

Mr. MACINNIS: I do not know if Mr. Beaudry asked this question in regard to page 2, in regard to the bakers of first quality bread where the selling cost—where the buying price by the store is the same in all cases across the board. Does that mean that you are buying from all suppliers at this same price?

The WITNESS: Yes.

By Mr. Lesage:

Q. Mr. Beaudry asked that question. What about Ottawa, Mr. Squair? Who is making Dominion bread in Ottawa?—A. Standard Bread.

Q. Standard Bread?—A. Yes.

Q. And you are buying in Ottawa only from Standard Bread?—A. Yes.

Q. And is there any difference between your brand and their brand?—A. You are referring to our Dominion loaf now?

Q. Yes, the Dominion loaf and their sliced loaf?—A. We have the same situation here.

Q. The same situation?—A. Yes. We believe we are getting the same quality of loaf.

Q. The same quality at two cents less per loaf?—A. That is correct.

Q. And you did not buy from any other bakery concern in Ottawa?—A. No, I haven't any record of any other purchases in Ottawa.

By Mr. Beaudry:

Q. Mr. Squair, did you earlier in this examination make the statement that where your volume of purchases and sales is lower you of necessity require a higher margin to achieve the same profitable operation? Those are not your exact words but that is the substance?—A. I do not quite follow that, if I did, . . .

Q. Well then, let me ask it as a question without referring to any comment or any answer you have given so far. Is it a merchandising procedure or is it in effect a merchandising procedure that where volume is restricted in any proportion whatsoever it almost automatically follows that the margin—I am speaking generally, we are not going into exceptions—the margin has to be higher?—A. With a smaller volume?

Q. Yes, I am speaking as to general merchandising procedure?—A. Yes, that is right.

Q. Would it be an unfair question to ask you then in the light of that why your company finds it possible to split up its purchases of bread in the city of Montreal between five bakeries, thereby obviously restricting the volume, dividing it into five, equal or not, and yet be satisfied with a lower margin of profit or a lower margin than that which you were getting in the case of the two in Toronto. I mean, if we apply the same yardstick of a higher margin being necessary for a corresponding lower volume how can we explain this discrepancy here between a much lower volume which is, either apparently or not—I cannot appreciate that as yet—at a considerably lower margin?

Mr. PINARD: I do not think we know yet whether the volume is smaller even though you have more suppliers. You do not know that the volume is lower?

Mr. BEAUDRY: I merely stated this as obvious. The individual volume of purchases from any one bakery, whether it is Harrison Brothers or General Bakeries or Strachan's or Dent-Harrison, is bound to be greater if they give it to, say Inter City and General Bakeries.

Mr. HOMUTH: You are asking him a question that only the bakers can answer.

Mr. BEAUDRY: I beg your pardon, I am asking a merchandiser not a baker. You will have the right later to cross-question.

The acting CHAIRMAN: Are you ready to go on?

The WITNESS: I was going to answer that.

Mr. BEAUDRY: Yes.

The WITNESS: If this is not making it roundabout. It could be done in this way. I do not think we are in a peculiar position in so far as bread is concerned in Montreal, or the supply of bread. I believe this, that we should operate our own bakeries to round out our operations. I have always believed that for the twenty years I have been in this business. Unfortunately during the war years, in that period, we have not been able to set up bakeries. That would be my wish as an operator today both in Montreal and Toronto.

By Mr. Beaudry:

Q. My question is still this: you think it is an accepted concept of merchandising that a smaller volume or a restricted volume almost invariably necessitates a higher margin. How do we explain that in this case where the margin is already restricted as against the margin in Toronto? It is apparently found necessary by your firm to divide its volume to five suppliers—A. I cannot answer that other than to say that in all probability we would have no advantage if we threw it all into one.

Q. Then I come back to our original premise, that where you have a smaller volume of merchandise it is necessary to have a larger margin.—A. But you are talking about two areas in making our comparison, areas which are not comparable in every respect. You are talking about Toronto in the one case and Montreal in the other.

Q. I can fully appreciate that, Mr. Squair, I fully appreciate that. Now, I have tried to arrive at this point in a long-winded way, but your suppliers being limited to two, or two or three, the normal volume of purchases would

be considerably larger for each one than would be the case if it were divided into five; would that have the effect of either lowering the cost price to you assuming that the baker operates on the same margin relatively—or should it not through that process of increased volume purchased by you from suppliers have the effect of (a) decreasing the price, and in turn of permitting you to decrease the price to the consumer?—A. Well, if we assume all the things you have mentioned the answer would be, yes; but I have nothing to indicate that that policy would be correct.

Q. Would you have figures of the quantity purchased in Toronto—pardon me, I mean in Montreal—from the five bakeries from whom you purchase; would you have that volume indicated in loaves?—A. No, I only have it in dollars. We have great difficulty in getting anything on that point.

Q. Well, in dollars then. Will you be able to establish the percentage of dollars applicable to the two or three brands which you mentioned in Toronto; or, to proceed in the order we had earlier with another witness, perhaps give us the percentage of volume of sales as against the total sales for Richmello brand?—A. No, we could not give you that because we cannot relate those sales to the total grocery sales.

Q. Now, I am talking about bread sales as against other brands of bread sales.—A. Yes.

Q. To the percentage of bread sales other than the Richmello brand.—A. I gave you that figure on these three stores.

Q. I am sorry I was away for a moment.—A. I gave it specifically for three stores on which we took complete figures.

Mr. DYDE: Do you want those figures, Mr. Beaudry?

Mr. BEAUDRY: Yes.

Mr. DYDE: I have them here: 39.75 is the percentage of store No. 1 on Richmello bread; store No. 2 was 17.65; store No. 3 it was 30.94. Those were the three stores in the Toronto area.

Mr. BEAUDRY: That is on Richmello only. Could we have the same proportions on Dominion in Montreal?

The WITNESS: No, I cannot get the figures in Montreal, unfortunately.

Mr. DYDE: You could, could you?

The WITNESS: No, they are not available.

By Mr. Beaudry:

Q. By what process do you arrive at finding out what your bread operation represents in your various Montreal stores. Is there anything which gives you the gross margin to selling price of 5 per cent. In the one case; 19.6, in the other—you have given us that, and yet you do not know what the volume is applied to the 5 per cent and what volume applies to the 19.6 per cent?—A. We don't bother.

Q. You don't bother?—A. No.

Q. You mean that as an accounting operation you do not go into those details?—A. We could not afford possibly to do that.

Q. Does that not make it a bit difficult at times when your merchandiser wishes to establish at what price he should sell some of these articles?—A. If the operation could be drawn on that line it would help, but it cannot be drawn in that fashion.

Q. In other words, your merchandiser has to go at it a bit blind?—A. To some extent.

Q. I mean, on these particular articles?—A. I might explain to you, gentlemen; there is not only the original pricing of merchandise but every week in points like Toronto and Montreal we advertise anywhere from ten to fifty items,

frequently at reduced prices. It takes a very important part in the over-all picture.

Q. If I were to ask you whether or not your bread operation in Montreal is profitable how would you be able to arrive at the answer?—A. Well, you mean net profit, or what?

Q. I mean exactly that. We will start off with gross profit.—A. We are not interested in our profit on bread. We are interested in the profit on our total operation.

Q. Are you telling me now that your accounting is done in such a manner that you do not keep track of individual types of sales but you are only concerned with your over-all picture?—A. That is very correct. We break it down to produce, meat and groceries.

Q. You break it down only under three or four heads?—A. That is right. It would be impossible to do anything else.

Q. At the end of the year your stockholders and directors are presented with a report which shows that under three or four headings you have either made a profit or made a loss?—A. This will answer your question. Last year our margin on \$41,000,000 of sales was 15·94.

By the Vice Chairman:

Q. Per cent?—A. Per cent—gross margin.

By Mr. Pinard:

Q. What would it be net? Have you an estimate?—A. Yes. It is not an estimate. It is an actual fact; 1·86.

The VICE-CHAIRMAN: Would you mind my following that for a moment, Mr. Beaudry?

By the Vice-Chairman:

Q. What are the items that reduced the 15·94 per cent to 1·86 per cent, chiefly taxes, I imagine?

Mr. HOMUTH: No, wages and everything else, the whole cost of carrying on business.

Mr. BEAUDRY: We have a witness to the right and a witness to the left of where I am sitting.

The WITNESS: I can answer that very briefly in the way that we have prepared it for our shareholders. Out of every dollar the employees received 8·70 cents; occupational costs, including rent, insurance, taxes, light, heat, depreciation, 2·33 cents; income taxes and excess profits taxes, 2·01 cents; sundry expenses, which include such items as advertising, 1·04 cents; net profit 1·86 cents.

Mr. BEAUDRY: That is a fine statement, and I read that booklet every year with a great deal of interest, but it is not an answer to my question.

The VICE-CHAIRMAN: It was an answer to my question. Had you concluded?

The WITNESS: With that.

The VICE-CHAIRMAN: Would you care to file that?

The WITNESS: Yes.

By Mr. Beaudry:

Q. May I return to my question? Do I understand from your previous statement that you have no method of determining in your operations over a year or a number of years whether you are carrying so many lines which might involve a considerable loss year after year?—A. Well, I would have to ask you why it would be a considerable loss. We do not sell merchandise below what we pay for it unless under very unusual circumstances.

Q. I appreciate that but you have just told the committee that you break it down under three, four or five general headings, groceries, meats, and so on, as to your year's operation in various commodities. I understand you are also telling the committee that your method of cost accounting, or of determining your operations in each one of these commodities, does not go beyond establishing any group of them under one heading without trying to determine for yourselves whether one is more or less profitable than the other. You are saying that to the committee?—A. Again I must come back and make this point as to what you mean by profitable. I might answer it this way. I would have no hesitation—

Q. Forget the word "profitable" if you choose.—A. I would have no hesitation in saying this to you, that quite possibly Richmello bread could be more profitable to us at a cost of 9 cents and selling at 10 cents than Christie's at a cost of 10-93 and selling at 14 cents. Actually I believe it is more profitable to us.

Q. That still is not an answer to my question.—A. We have to have 10-cent bread in our stores, and we are not only selling bread.

Q. That is not my question. You have told the committee, and we will discuss cost accounting for a minute, that your method of cost accountancy precluded at any time your being able to determine what any given commodity gives or does not give in the way of return individually, but that it is only in your operations as a part of a group under one of the general headings you have outlined a moment ago.—A. That is right. That is correct, and I defy anyone else to do otherwise.

The VICE-CHAIRMAN: This report which was handed over a few minutes ago should be listed as exhibit 21.

Exhibit No. 21: Financial statement of Dominion Stores Ltd.

Mr. BEAUDRY: Perhaps—

The VICE-CHAIRMAN: I wanted to get it on the record; that was all.

By Mr. Beaudry:

Q. Perhaps you would prefer to go further into your own figures before you give me a definite answer on that.—A. I should like to explain—

Q. I am trying to be fair to you because this morning another witness told us differently. You have just said that you defy anybody to do this. Another witness this morning in the same type of business that you are in did give us some very definite figures and a very definite breakdown of both volume and margins on a whole series of commodities.—A. Are you talking about net profit or gross margin?

Q. I did not actually go into profits. I merely asked you—and I will not burden the reporter with repeating it—if you are telling this committee that you have no accountancy method of determining for yourselves at any time what any given commodity brings in returns? Returns may include actual gross returns. It may include returns net after deducting whatever has to be deducted from it. It may be further broken down until you have the actual profit or actual loss. I am not confining my question or your answer. I am merely repeating, are you telling this committee your company has no method of segregating and giving the actual returns on any separate commodity except under general headings?—A. I have to know if you are talking about gross return or net before I can answer it. If it is net the answer is no, we have not.

Q. Whether it be gross or net, in your operation do you segregate every commodity that you handle?—A. No.

Q. You do not?—A. No, we do not.

Q. So that your bread operation at the end of the year cannot be determined to the fraction, whatever it is?—A. No, we cannot.

Q. It becomes an over-all part of your groceries?—A. That is right.

Q. So that you do not know exactly whether you do make a profit. You hope you do but you cannot determine what it is?—A. That is right.

Q. Can you determine what costs have been applicable against the operation of bread?—A. No.

Q. You do not have that either?—A. No.

By Mr. Lesage:

Q. Would you give an explanation of your answer a few moments ago that you are not interested in the profit on bread?—A. If I may clear that up I would say that no one else can determine what costs should be applied to bread in a food store.

By Mr. Beaudry:

Q. Pardon me?—A. We do not, nor can anyone else determine accurately the costs to be applied to bread.

By Mr. Lesage:

Q. Is that the reason why you answered you are not interested in the profit on bread?—A. I would not want Mr. Beaudry to think our accounting is not satisfactory. It is. The point I am making is it cannot be done.

By Mr. Beaudry:

Q. Do you know if any other competitors do keep their accountancy in that fashion?—A. To get a gross margin they might do so by mechanical bookkeeping on a limited number of products in so far as they want to segregate them.

Q. Would you say it could be done?—A. Not net, no, just gross. They cannot apportion rent to a loaf of bread or light or heat or taxes. It cannot be done.

Q. Could you not apportion it in proportion to volume, the volume in any given store in proportion to total volume for any given period?—A. For what period?

Mr. PINARD: You would get a gross margin.

The WITNESS: And it varies from day to day. You have to take it over a period and take averages.

By Mr. Homuth:

Q. In fact, your 10-cent loaf might attract a lot of people to your store who would buy other things?—A. Yes.

Mr. BEAUDRY: The right-hand witness again.

Mr. HOMUTH: Let us get some sense out of this.

Mr. BEAUDRY: It is not sensible unless you have a monopoly of it.

Mr. HOMUTH: You certainly have not had a monopoly of it in your questions lately.

The VICE-CHAIRMAN: Order. May I draw your attention to the horrible example of the vice-chairman and the trouble into which people get when they start arguing with each other. I am sure Mr. Homuth would not want Mr. Beaudry to say he was abusive.

Mr. HOMUTH: I do not care.

The VICE-CHAIRMAN: Oh, you do not care. I thought I was talking to people who are as sensitive as myself. Evidently you are hardboiled. Now, continue; which one of you gentlemen down there is going to continue?

By Mr. Lesage:

Q. You said you were not interested in the profit on bread. Would you explain your answer, please.—A. I should have qualified it to this extent, other than as it influences the whole.

Q. Tell us why you would take in Montreal a 5 per cent margin only on Dominion bread and take 19·6 per cent on the balance if you are not interested?

—A. I presume we did not do it voluntarily.

Q. Why did you do it if you did not do it voluntarily? Why was that done?

—A. In all probability to meet competition.

Q. Did you say to meet competition you have to keep your price at 14 cents? Is that what you mean?—A. No. The competition I am interested in is the 10-cent seller.

Q. Would it work the other way on the 14 cents?—A. I would consider it more important to our final operating results to sell bread at 10 cents on a 5 per cent margin than 14 cent bread on a 25 per cent margin.

Q. Could you bring down your price of 14 cents to something which would approach more the 5 per cent margin you are taking on Dominion brand?

Mr. MAYHEW: For instance, two for 25.

By Mr. Lesage:

Q. Two loaves for 25 cents. Would it not appeal more to the consumer?—

A. I would not think so, not if they are interested in the price of bread.

Q. Pardon me?—A. Not if they are interested in the price of bread; I do not think so.

Q. Every consumer is interested in the price of bread.—A. I think they would be interested more in the 10-cent loaf than a two for 25 cent loaf, if they are interested in prices.

Q. Definitely, but could you not sell it at a price of two for a quarter?—A. I do not know whether or not we could.

Q. Did you try?—A. No.

Q. Can you tell me why you did not try?—A. No, I cannot tell you.

Q. Is it because the price of 14 cents, let us say, for Strachan in Montreal is the price at which bread is sold in other stores?—A. If there is any reason, again it is probably indicated by the bakers, what they would like to get for it.

Q. To whom would it be indicated?—A. To our buyer or merchandiser.

Q. Who would the buyer be in Montreal? Could you give us his name?—

A. Well, we have several there.

Q. Who would buy bread?—A. I do not know, I would have to find out.

Q. Could you supply us with the name?—A. Yes.

Q. You said something else. You said you wished to establish your own bakeries in Montreal and Toronto. Could you give us the reason for wishing to establish your own bakeries?—A. Because I believe it is needed in our type of business.

Q. Pardon me?—A. Because I believe we should operate bakeries in our type of business to round out our operation.

Q. Why?—A. To give us a better operation.

Q. At a lower cost?—A. I would hope our costs would be lower.

Q. You said you had planned to establish your own bakeries but that you were prevented because of the war. Did you intend, then, to stop buying from other bakers?—A. I had not projected the plan that far.

Q. You had not decided to what extent you were going to sell the products of your own bakeries, but you definitely intended to establish your own bakery?—A. I do not think—that might be misunderstood.

The VICE-CHAIRMAN: Mr. Lesage, you have been a little eager in your questioning, unintentionally, but sometimes the witness has not been able to complete his answer before you asked him another question. If you would be careful about that, the evidence would be more orderly on the record.

Mr. Squair, you were going to answer a question?

The WITNESS: I think I may not have said this, but I wish to imply it, I believe we should operate bakeries in connection with our kind of retail food operation to round it out. Unfortunately, because of the war, building conditions and so on we have not been able to develop it. That is all the plan I have talked about.

By Mr. Lesage:

Q. Would you give the committee the reasons why you planned the establishment of your own bakeries?—A. Because I think we could serve our stores better with our own bakery than we can purchasing outside.

By Mr. MacInnis:

Q. Would the fact, Mr. Squair, that you had the same price from five suppliers have anything to do with your suggestion you could do better with your own bakery?—A. Gentlemen, I have found myself in cities where I could not make a deal with a baker. I have had that experience.

By Mr. Lesage:

Q. How did it happen?—A. I don't know. I just could not make a deal.

By the Vice-Chairman:

Q. Was it recently?—A. No, not recently.

The VICE-CHAIRMAN: That, apparently, is something which is not recent.

By Mr. Lesage:

Q. It would have to do with supplying your own brand, of course?—A. That is right. To explain our position and what I mean by that, I think any self serve food store which does not give credit or free delivery, should be able to distribute bread cheaper than you can sell it house to house.

Q. That is what I had in mind.—A. I have operated a bakery in that connection, during my day, to prove that to be so. It is there that our interest would be in operating a bakery.

Q. That is exactly why I was asking you the question a few moments ago about that 14 cents, why you could not bring it down if you did not make any delivery?—A. Because our interest in this bread case is the lower priced bread.

Q. Well, sir, it is not an answer to my question as to why you cannot bring this 14 cent price down since that is the price people pay for it delivered, when you do not deliver it?—A. Because I am not interested in the sale of that bread; that is the only reason I can give you.

Q. Would it be because the price is indicated to you by the baker?—A. That would be—

Q. That is the reason?—A. That would be more or less true; correct, yes.

Mr. MACINNIS: That means, then, the bakers in Montreal fix the price for bread.

The WITNESS: Oh I cannot say that. I do not know what the bakers do.

Mr. IRVINE: That is the meaning of your answer.

The WITNESS: I do not think you can miss this point: we are selling bread for 10 cents for a 24 ounce loaf.

Mr. LESAGE: I hope the witness does not think we are blaming him or that my questions indicated I was blaming him. On the contrary, I was trying to find out why it is. Certainly, it is not his fault.

Mr. MACINNIS: The witness said, if I heard him correctly, he found himself often or at times, in a position where he could not make a deal with the bakery in the locality.

The VICE-CHAIRMAN: He did say he has had that experience within the last thirty years.

By Mr. MacInnis:

Q. Well now, the position he is in today—I think this is true according to this exhibit 20—he can make the same kind of deal with five bakeries but no other deal?—A. Oh yes, we have another deal. We have a 10 cent loaf of bread.

Q. Oh, that is true. You have a 10 cent loaf of a particular variety of bread, that is a special, but so far as the other breads are concerned the five bakeries have the same price. You buy at the same price and you sell at the same price. Now then, does that indicate that there is an understanding among the bakeries to sell at that price to the retailer and that the retailer must sell at that price to the consumer?—A. It is difficult for me to agree with that.

Q. I am not asking you to agree. You can disagree if you like, but I desire you to explain it if you do disagree. I want you to explain those figures.—A. Well, I can answer it this way; if we did not have a 10-cent loaf of bread I would say we would not maintain these prices.

By Mr. Pinard:

Q. How could you do it, then?—A. I do not know. We might have to build a bakery, whether we liked it or not. We would have to get supplies some place.

The VICE-CHAIRMAN: It is evident, gentlemen, we will not finish with Mr. Squair this evening.

Mr. BEAUDRY: May I ask Mr. Squair a question because he may not have the figures with him.

The VICE-CHAIRMAN: Mr. Beaudry desires to ask a question which may involve getting information.

By Mr. Beaudry:

Q. Do you sell cakes in your stores?—A. Yes.

Q. You may not have the information, but would you be able to procure for this committee the volume of cakes—I do not know whether it would be preferable to have it in poundage or dollar value, but in one or both, in comparison with your over-all bread volume?—A. No.

Q. You could not do that?—A. No.

Q. Would you be able to give us your volume, either poundage or dollar value?—A. No.

Q. When you say “no”—A. We could build up the figures from here, but we could not go back and get them. We would have to set up accounting from that date into the future. We could not go back and pick that up.

Q. Could you not tell from your invoices? You have only so many suppliers?—A. There would be hundreds of thousands of invoices.

By Mr. Pinard:

Q. Do you get your cakes from the same suppliers?—A. In some cases yes, and in some cases no.

The VICE-CHAIRMAN: Do you realize what you said, “In some cases, yes, and in some cases, no”? Possibly that is a good place to stop, gentlemen.

Mr. LESAGE: In the morning I should like to have, if it is at all possible, the name of your buyer in the bread departments for Montreal and Toronto.

The WITNESS: At the present time, you mean?

Mr. LESAGE: At the present.

The VICE-CHAIRMAN: The committee is adjourned until the usual time tomorrow.

The committee adjourned at 6.00 p.m. to meet again on Tuesday, February 24, 1948, at 11.00 a.m.

Doc
CA 1 X 6 2
-4876
SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

TUESDAY, FEBRUARY 24, 1948

WITNESSES:

Mr. L. D. Squair, Executive Vice-President, Dominion Stores Limited,
Toronto.

Mr. James M. MacDonald, Secretary Treasurer, General Bakeries Limited,
Toronto.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

UNIVERSITY OF TORONTO

MINUTES OF PROCEEDINGS

TUESDAY, February 24, 1948.

The Special Committee on Prices met at 11.00 a.m.

Members present: Messrs. Cleaver, Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Mayhew, McCubbin, Merritt, Pinard.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

The Clerk informed the Committee that both the Chairman and the Vice-Chairman were ill and he invited nominations for an Acting Chairman.

On motion of Mr. Lesage, seconded by Mr. Fleming, Mr. Mayhew was appointed Acting Chairman.

Mr. Mayhew took the chair.

Mr. L. D. Squair, Executive Vice-President, Dominion Stores Limited, Toronto, was recalled and further examined.

At 1.05 p.m. witness retired and the Committee adjourned until 4.00 p.m. his day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., Mr. Mayhew, presiding.

Members present: Messrs. Beaudry, Cleaver, Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Mayhew, McCubbin, Merritt, Pinard.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. Squair was recalled and further examined.

(At 4.20 p.m. members were called in the House for a vote and the Committee took recess for twenty minutes).

Witness discharged.

Mr. James Michael Macdonald, Secretary-Treasury, General Bakeries Limited, Toronto, was called, sworn and examined.

Witness filed,—

Exhibit No. 22—Statement showing selling prices of 24 ounce loaves in Toronto and Montreal on specific dates between September 1, 1947 and February 20, 1948—General Bakeries Limited.

At 5.40 p.m., witness retired and the Committee adjourned until 4.00 p.m. Wednesday, February 25.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

FEBRUARY 24, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Acting Chairman, Mr. R. W. Mayhew, presided.

The ACTING CHAIRMAN: We have not concluded hearing from Mr. Squair of Dominion Stores, and with your permission we will carry on with that examination.

By Mr. Dyde:

Q. Mr. Squair, towards the close of yesterday's hearing Mr. Lesage asked you to give us the name of your bread buyer in Montreal. Can you now do that?—A. Yes.

Q. His name is, what?—A. C. Townend.

Q. And, what is his address in Montreal?—A. Our business address is Bedford Road.

Q. He can be found at Bedford Road?—A. Yes, at our Bedford Road office.

Q. Have you a copy of Exhibit 20 in front of you, Mr. Squair?—A. Yes.

Q. There are a very few questions that I wish to ask you on that exhibit but before I do so I believe that there are one or two items in yesterday's evidence on which you wish either to elaborate or to comment; and, first of all, may I ask you about the statement you made in which you said that you sent—your company have sent bread to New York for scoring or analysis. Now, I think you have some comment to make on that?—A. Yes, I would like to correct that statement. We never have sent bread to New York for scoring.

Q. And then another point now, referring to Exhibit 20, I think you have some comment to make on the items under Montreal stores under the date February 2 and under the heading "Bakers first quality, five suppliers?" Am I correct?—A. Yes.

Q. And what is the comment you wish to make with regard to that?—A. I contacted our buyers, merchandisers, over night in Montreal, and while this exhibit reflects our price changes they pointed out to me that they were advised to refer to the columns headed "February 2, 1948", where the price advance is from 13 cents to 14 cents retail and the cost from 10·80 to 11·25; our buyers tell me that one of our suppliers, Harrison Brothers—February 2 is a Monday—and the previous Friday Harrison Brothers, one of the buyers' suppliers advised us that the price would go up, our costs would go up from 10·80 to 11·25 effective the following day, which was Saturday, and that the suggested retail price would go up to 13 cents or 14 cents on their loaf. We did not change our price effective as of Saturday although I am told that many retailers did and it was not until Monday that we got notice of increase from our other suppliers, a similar increase I should say, and it was at that time that we raised the price to 14 cents, although we had been notified the previous Friday by one supplier.

Q. Mr. Squair, would you refer to the same page under the heading, "Montreal stores"—and I am referring still to Exhibit 20—and on the first line of figures on the page when referring to the Dominion brand bread I notice that

on February 2, 1948, the price went up to 11 cents, the selling price; and then on February 9 it went down to 10 cents. I would like to ask you why the reduction was made on February 9, from 11 cents to 10 cents?—A. I am told that our cost was raised to $9\frac{3}{4}$ cents on February 2. We raised the retail price on our loaf, the Dominion loaf, to 11 cents. We maintained that for a week and found that our competition had not raised their price to 11 cents, that they remained at 10 cents, so that a week later, on February 9, we reverted to a 10-cent selling price to meet competition.

Q. When you say competition, are you referring to the retail stores?—A. The retail stores.

Q. Can you tell us who they were?—A. No, I could not. It was evidently important enough in the minds of our merchandising department to feel that we could not ignore it.

Q. Your costs also went down that day by a matter of a quarter of a cent, did they not?—A. Quite evidently our supplier had some sympathy for us in the matter.

Q. Now, would you go back to what was said a minute or two ago as to the change, at least as to the comment that you made on the price of $11\frac{1}{4}$ cents and the change that took place on February 2 and the advice that you received from one of your suppliers; did you receive that information on January 30, on the Friday; did you receive that by way of letter?—A. I would not think so. I would think it would be by telephone.

Q. And you spoke of a suggested retail price being raised from 13 cents to 14 cents; now, was that in the telephone conversation with that particular bakery?—A. Definitely so.

Q. And the telephone conversation would be a conversation in which the bakery would say, we suggest that the retail price should be raised from 13 cents to 14 cents?—A. In effect, yes.

By Mr. Lesage:

Q. Who would be on the line both for the bakeries and for your own company?—A. One of our buyers.

Q. Would it be Mr. Townend?—A. I cannot answer that yet.

Q. Can you tell us later on?—A. Yes, I can find out.

Q. And who was on the telephone for the bakery?—A. Yes, I can do that.

By Mr. Johnston:

Q. I would like to ask the witness a question in regard to that 14 cents. You will notice on Exhibit 20 under the column dated February 9, 1948,—“bakers, first quality, five suppliers”—the selling price there is 14 cents. Now, you have suggested to the committee the way in which that 14 cents was arrived at. I would like to refer you to Exhibit 19 put in by Loblaw's.

Mr. DYDE: Just a minute, please, until we get a copy of that for them.

By Mr. Johnston:

Q. Under the last column on the page, the 27th of January, 1948, you will see that Loblaw's Canada Bread loaves were selling at 14 cents. Now, I am curious to know why Loblaw's raised their price to 14 cents at the same time approximately as Dominion Stores raised theirs to 14 cents. Would there be any connection between these two? Could the witness tell us?—A. In one case—in this exhibit I believe is Toronto and Ottawa and what we are talking about in Exhibit 20 applies to Montreal.

Q. Well, it is the same thing on Exhibit 20 for the Toronto stores. It does not make much difference. You can see the same thing is true there.—A. The only answer I can give to that, as far as we are concerned, there is no connection.

Q. There is no connection?—A. As far as our organization is concerned.

Q. It seems to me rather significant—of course, it may be a coincidence—that the two prices were shown at that time. Nevertheless, I suggest to the witness that it looks rather like a combine to maintain prices. Would the witness care to comment on that?—A. No, I would not wish to. As far as we are concerned there is no connection between the price in Montreal and that in Ottawa and Toronto.

Q. Well, I think I understood you to say that that price was suggested by your suppliers?—A. That is correct.

Q. Yes. I maintain that a suggestion is a pretty good hint to put the price up to 14 cents, as apparently they both did.

By Mr. Pinard:

Q. On this very thing, you were asked yesterday by one of the members of the committee if you knew that there existed any connection between the five Montreal suppliers; namely, Inter-City Bakery, Harrison Brothers, General Bakeries and James Strachan; and I am going to review the question which was put to you by one of the members of the committee on that yesterday. The question was this:

Q. And do you know if there is any connection, and if you are not competent on that you could defer your answer. Do you know if there is any connection between the Inter-City Bakery, Harrison Bros., General Bakeries, and James Strachan?—A. I would not know.

I want to call your attention to something that came up after we had discussed that. If I take the 1947 Montreal telephone book and refer to the first of these suppliers, Inter-City Bakery I find that the Inter-City Baking Company Limited has their head office at 1005 de Bullion Street, Montreal. Then it has Mr. Fred S. Strachan, Production Manager, 624 Victoria Avenue. That is one thing I want to draw your attention to. Then if I refer to Harrison Brothers, another of your suppliers in Montreal, I see that there is also listed Dent Harrison and the telephone book listing says, "see Wonder Bakeries". If you look at Wonder Bakeries you see cake superintendent, Mr. J. Muir, on the listing. If you go back to James Strachan Limited, another of your suppliers, you will find Mr. J. F. Moir, production superintendent.

In other words, in the telephone book there is at least a connecting link between all of them. If, for instance, you look up—and this is going to be my last reference—James Strachan you have James Strachan Limited, Strachan Bros. Ltd., and also A. and L. Strachan Limited. Then under A. and L. Strachan Limited you have got your Inter-City Baking Company. Having been in the food business for so long a time and having relations with these bakers I am pretty sure you must know there is that connection between all of them, do you not?—A. No, I do not know anything about it.

Q. Do you not know anything about it?—A. No, no.

By Mr. Lesage:

Q. Your buyers would?—A. I do not know. You speak of these individuals. I do not know them, never saw them and know nothing about them.

By Mr. Pinard:

Q. But you nevertheless know, according to your bakers, that the price of bread was simultaneously increased by all of them forcing you to sell your bread at 14 cents, and it was done at the same time by all of them by all five suppliers?—A. All except one as I explained a few moments ago.

By Mr. Lesage:

Q. Only two days' difference?—A. That is right.

By Mr. Pinard:

Q. Do you know anything about Wonder Bakeries?—A. No.

Q. But still if you are buying from Dent Harrison there is no such thing as a bread company headed by Dent Harrison according to the telephone book because you are simply referred to Wonder Bakeries. Do you sell Wonder bread?—A. I do not know the names of the brands.

Q. If I may refresh your memory do you know of a bread called Pom, pride of Montreal, sold by Wonder Bakeries?—A. No.

Q. Do you know whether or not you sell it?—A. No.

Q. You do not know?—A. No.

Q. Do you know any of the brands you are selling for these five suppliers?—A. In Montreal, no.

Q. Would you be good enough to tell us who deals with the bakers in Montreal so that we may examine that witness?—A. I gave Mr. Lesage the name, Mr. Townend.

Q. He is the man you referred to a minute ago.

By Mr. Lesage:

Q. Would he be the man who exerted pressure on the bakers between February 2 and February 9 to have your cost price decreased from 9.75 to 9.50?—A. Would he be the individual to do that?

Q. Yes.—A. I would say yes, I think so.

Q. Would it be possible to obtain the names of all your buyers who during the last three months have had dealings with the bakers both in Montreal and Toronto, and supply those names to counsel so that counsel may have what I will call a chat with them.—A. Yes, I can do that.

Mr. JOHNSTON: Maybe the committee would like a chat with them, too.

Mr. LESAGE: Maybe it would be more useful to have counsel talk with them first.

By Mr. MacInnis:

Q. I think the witness has withdrawn the statement he made yesterday that they sent bread to New York for scoring. Did you send the bread anywhere to be scored?—A. No, we have not done that since I have been with Dominion Stores.

Q. How long has that been?—A. Since 1939.

Q. I should like to ask another question or two about the indicated price to which you referred today, I think, as the suggested resale price. Has your company ever departed from that indicated or suggested resale price?—A. Not to my knowledge, no.

Q. In other words, your firm helps to maintain that resale price set by the bakers?—A. That is not putting it quite correctly.

Q. You put it your way.—A. We exercise our influence on the matter by selling the 10-cent loaf.

Q. But in regard to the other prices on the other bread you co-operate with the bakers in maintaining the price?—A. With that qualification. We do not recognize any differential in quality of the loaf between our 10-cent loaf and the so-called 14-cent loaf.

Q. But you do recognize a difference in price, and outside of the 10-cent loaf you co-operate with the bakers in maintaining the selling price of the other bread?—A. Yes, but we use the 10-cent loaf as our objection to the 14-cent price of bread.

Mr. IRVINE: Your 10-cent loaf is a sort of atonement for taking 14 for the others?

Mr. FLEMING: You mean a subsidy.

By Mr. Irvine:

Q. That is not the way you would say it?—A. No, and that is not the fact either.

Q. What is wrong with it?

By Mr. MacInnis:

Q. You are selling all kinds of bread, and according to the figures you gave yesterday the sales, at least in the Toronto area, would be about 30 per cent of the 10-cent loaf and 70 per cent of the other. That is an average of the three figures you gave us yesterday. It is a little more than 29 per cent—A. No, that is not correct. There are all kinds of fancy breads in that total bread figure.

Q. The figures are not important, but there is a suggested or indicated price on bread other than the 10-cent loaf, and you co-operate with the bakers in maintaining that price?—A. In checking with Montreal this morning they told me that taking one week they picked out as to our purchases of bread from the Inter-City Bakery 91 per cent were the 10-cent loaf and 9 per cent were the 14-cent loaf.

Q. Is that normal?—A. They assumed it to be normal. That is only one supplier. Putting that over the five suppliers it breaks down to about 68 per cent. The best figures they can give me are that 68 per cent are the 10-cent loaf and 32 per cent the higher priced loaf.

Q. In regard to 32 per cent of your bread sales you co-operate with the bakers in maintaining the resale price?

Mr. CLEAVER: Mr. Chairman—

The ACTING CHAIRMAN: I think the witness has not answered.

The WITNESS: I will put it this way. We do not raise an issue on it.

By Mr. MacInnis:

Q. You are not unco-operative? Will you put it that way?—A. We are not too co-operative. We have not made an issue of it.

Q. You would rather agree to the resale price than make an issue of it? Would that be putting it fairly?—A. Apparently that is what we have done.

Q. Are you familiar with the provisions of the Combines Investigation Act?—A. Not to any extent, no.

Q. I should like to read a section from the Act which defines a combine. Section 2, subsection (1) reads:

“Combine” means a combination having relation to any commodity.

I am not quoting the full text—

of two or more persons by way of actual or tacit contract, agreement or arrangement having or designed to have the effect of (c) fixing a common price or a resale price, which combination has operated or is likely to operate to the detriment or against the interest of the public, whether consumers, producers or others.

Section 32 of the Act provides the penalties for action of that kind. On the answers that you gave to my questions it would seem to me that your firm has been committing an offence under the Act.

Mr. LESAGE: Mr. Chairman, I must object to that kind of question because I do not think that we can ask any witness here if he thinks he is guilty of something or his company is guilty of something.

Mr. MACINNIS: I did not ask that.

Mr. LESAGE: Your last suggestion was in interrogatory form. It is a statement put in interrogatory form. I do not believe it would be fair to any witness to ask him to plead guilty to anything. We are here to inquire into the facts. If in our opinion—and the committee is the judge of that—somebody is guilty of something we will have to take action, but I submit very respectfully it is not proper to ask a witness if he thinks he is guilty of something.

The ACTING CHAIRMAN: I did not understand it that way. I think you had better reword your question.

Mr. MACINNIS: As you are as unfamiliar with the ways of the law as I am I will withdraw my question, if you like.

Mr. LESAGE: Moreover I submit that it may be a good thing to avoid that because if we start asking such questions of witnesses it may scare other witnesses from whom we will not be able to expect the complete truth in the future.

Mr. PINARD: Unless, of course, these witnesses are told that on any of the questions put and their answers they will be given the necessary protection the committee is entitled to give. It is provided that a committee may give protection to witnesses on their declarations.

The ACTING CHAIRMAN: I think that is something that could be well brought out in the report itself, but we can hardly accuse anyone of being guilty in this committee. Those judging the evidence that comes out will have to determine that at the proper time.

By Mr. MacInnis:

Q. I think yesterday the witness, in reply to a question, said that he believed their firm could produce bread at a lower cost if they had their own bakery?—A. I am sorry, I did not quite get that.

Q. Yesterday, in answer to a question, you said that you believed the Dominion Stores could produce bread at a lower cost than they are now paying to bakeries?—A. No, I did not say that.

Q. I think you said, at one place, we are not in a good position as regards bread in Montreal. Then, I believe you elaborated on that and said it was your intention at one time to build your own bakeries but that, during the war, that was out of the question because of various difficulties?—A. I cannot recall my words, but the impression I wished to leave was this; that to round out our kind of operation I think we should operate bakeries because I do think we can service our stores better from our own operated bakeries than we can from other suppliers.

Q. What is the meaning of the word "better"?—A. We can control the operation better from the standpoint of service to the stores; delivery to the stores; better control of quality. The best control of quality of which I know is when you make the product or process it yourself.

Q. Do I understand, then, that the present relation between your stores and the bakeries is unsatisfactory or not as satisfactory as you think it should be?—A. I say I think we could do better by operating our own plant than buying from a supplier.

Q. Has that anything to do with the price of bread?—A. That includes every factor in the operation.

Q. Including price?—A. That would apply under certain circumstances, but I could not make a general statement to that effect.

Q. You said a moment ago it included every factor?—A. That is right.

Q. One of the chief factors is price?—A. That is right.

Q. Then you also said that you believed bread should be sold cheaper in stores than in the sale from house to house?—A. The cost of manufacturing bread does not vary greatly whether it is in a plant owned by myself or someone else. The difference in the cost of bread and a great many food products is due to the difference in the method of distribution. If you add a costly service, you must necessarily increase the price to the consumer to pay for it. If you eliminate it there is no reason why the consumer should not have the benefit of it.

Q. That is a good answer. You would say then that bread sold in stores could be sold cheaper than that which is delivered?—A. Obviously the service given to the consumer is not as costly.

Q. What is there today to prevent you from selling bread cheaper in your store than the bakers sell it delivered from house to house?—A. We are doing it.

Q. You are doing it on your 10 cent loaf?—A. That is right.

Q. But you could do it on all your bread?—A. You must start at the same point, and that is production cost and build it up from there. You cannot pick a figure out somewhere up the ladder and apply that to the operation.

Q. Well, we will leave that at that point. I should like to ask a question in regard to a point which was raised by Mr. Merritt either yesterday or when Mr. Meech was on the stand. Why would people buy a 14 cent loaf rather than a 10 cent loaf? Would you comment on that?—A. I think it is somewhat the same question, and the answer is simply consumer preference for many lines.

Q. Is there very much carry-over in bread from day to day?—A. Not a great deal.

Q. In fact, very little?—A. Very little.

Q. So then, in ordering bread you are careful not to order more than you believe you can sell on that day?—A. That is correct, yes. To do otherwise would not contribute to the conservation of food supplies very much.

Q. In the carry-over, do you have as much of a carry-over in the 10 cent bread as you have in the 14 cent bread?—A. The answer is, it would vary from day to day and store to store. If your question is: is it continually greater in the 10 cent bread than the 14 cent, the answer is no.

Q. The answer is there is no difference?—A. No difference.

Q. Consequently, the preference would not be because the 10 cent bread would be used up earlier and when the customers called there would be no 10 cent bread?—A. No, we have a full supply of bread up until the last moment; that would be our objective.

By Mr. Irvine:

Q. In both lines?—A. Yes.

Mr. MacINNIS: I think that exhausts my questioning for the moment.

By Mr. Cleaver:

Q. What was the price differential between Richmello, your firm's special brand of bread, and the price of standard breads, prior to the controls?—A. Prior to price control, do you mean?

Q. Yes.—A. That is going back to 1941 and my recollection is that our bread was two loaves for 13 cents at that time.

Q. I beg your pardon?—A. My recollection is our price was two for 13 for Richmello bread. That might be subject to correction since it is six or seven years ago. For the other bread, I would have to get that for you.

Q. I should like to have that information if you would, please, and I should like to know the amount in cents of mark-up as to Richmello over cost and as to the standard breads over cost.

The ACTING CHAIRMAN: Could you supply that?

The WITNESS: I could get it from our records.

By Mr. Cleaver:

Q. Are you perfectly content with the mark-up you now have on the Richmello bread, 1 cent per loaf?—A. It is approximately what we have had for many years. We have to be content with it.

Q. I take it then you are quite content with the mark-up?—A. We have not been able to do anything about it.

Q. I do not want to press you, but I should like an expression of opinion, whether you are dissatisfied with it or whether you are content with it?—A. We have accepted approximately that mark-up for many years.

Q. Then, does it cost your firm any more to sell a 24 ounce loaf of bread because it has another firm's wrapping paper on it than it does to sell a 24 ounce loaf of Richmello bread?—A. We have no means of determining that.

Q. Surely you do not have to be an experienced merchandiser to be able to answer that question. The wrapping paper surely does not add anything to the cost?—A. The more experienced a merchandiser you are, the more sure you are you cannot answer it.

Q. I will have to take that answer. I suggest to you then, if there were not any other factor involved, a mark-up of 1.3 which a 12 cent selling price would give you on the standard brands would be quite satisfactory to your firm if there were not other factors?—A. I do not know because I have never dealt with it without the other factors.

Q. I suggest to you if you sold all the standard brands at 12 cents a loaf you would be making quite a satisfactory profit, if you were not running the risk of losing your source of supply?—A. No, I cannot agree with that.

Q. Would you mind telling me why you cannot agree?—A. Because the factors are there and you cannot ignore them.

Q. Tell us what they are again?—A. I could tell you one or two. It might be very detrimental—again, I must preface my remarks by saying we are not interested in one product, we are interested in the over-all picture. It might cost us in profits much more to sell bread at a mark-up of $2\frac{1}{2}$ cents than it would another bread at a mark-up of 1 cent because we have another 1,498 times, approximately, to sell. If we did not do that, it might so influence our volume of business on other products that the over-all loss would be much greater than would be the effect by the loaf of bread.

Q. Do you suggest it would adversely affect your sales of other products or do you fear that there might be some repercussion from the trade?—A. I do not think repercussions from the trade plays any part in it.

Q. Would you tell the committee how, if you marked your standard brands down to 12 cents a loaf which would show you quite an adequate profit, how that would harm your other sales—because you would lose the sales of other products?—A. No, I do not know.

Q. No, and I do not either. Now would you please supply to the committee—and I do not expect you to have figures available now—but would you please furnish to the committee a summary or statement showing the volume or percentage of goods which you sell in your store at a mark-up of 10 per cent or less, related to your total volume? May I just explain that for you. There are certain commodities like fresh fruits and vegetables on which all stores take a substantial loss through depreciation and the profit or the mark-up must be 25 or 30 per cent in order to make a reasonable profit. On other commodities such as sugar,

butter, and bread, quick-moving commodities where you do not take any loss, you can make a profit with a much lower mark-up. Now, I would like to have the percentage of your sales where you have a mark-up of 10 per cent or less, related to your total volume of sales?—A. Well that would be a terrific job. I would have to have more specific instructions because it would involve individual stores.

Q. I would be quite content if you would take one store.—A. To answer your question in a different manner I would say that in front of me I have the combined figures for 44 stores for a three-month period ending December 27, 1947, in which our gross margin, average gross margin of groceries—and groceries are separated as such from produce and fresh meat—the figure I have in front of me gives the average for all products. It is 10·88.

Q. Yes, and I suggest to you that bread would show you quite as much residual profit or net profit as any other commodity you would have in that 10·88 group.—A. We can only deal with averages on all products.

Q. Yes, well I think I am content with that figure for my purpose, the figure of 10·88.—A. I should say that gave a net to us for this particular period in those stores, after paying taxes, of 1·38.

Q. And I suggest to you, considering your volume, that was quite a satisfactory profit for you to make?—A. It is less than we have been getting.

Q. I suggest to you it was quite a satisfactory profit? Well, tell me what profit it did show you on your capitalization? Relate that to your capital investment?—A. I cannot relate that to investment. I do not think the accounting which would be necessary is possible. This is only a group of 44 stores.

Q. But it is for the period ending 27th December 1947? Well, I will ask you this question. What profits did Dominion Stores make last year, what net profit?—A. 1·86. We put that in yesterday.

Q. 1·86.

Mr. FLEMING: 1·86 what?

The WITNESS: Per cent.

Mr. FLEMING: Per cent?

The WITNESS: Yes.

By Mr. Cleaver:

Q. Coming back to this figure of 10·88 gross margin on all groceries excepting produce and fresh meat— —A. Yes.

Q. I suggest to you that in view of that mark-up of 1·07, which would be a mark-up of 10·7 per cent at a 12-cent selling price on Standard Bread would yield you a satisfactory mark-up?—A. I cannot deal with individual products. I cannot separate them from the over-all average.

Q. Then there is only one feature that I should ask a question on. You have already told many members of the committee that your carry-over is trifling in regard to bread. What do you do with that carry-over? Is it not sold the next morning?—A. Whatever is done with it the result is reflected in these figures.

Q. Well I would like to know what you do with it? Do you take any loss with respect to it at all?—A. In some cases, yes. In some cases we sell old bread for less money.

Q. I do not want to put you to endless trouble but I would like to have the figure for one store. I would like you to give us the loss over the same three-month period with respect to the carry-over on bread?—A. We have not those records.

Q. You have not?—A. No, we do not keep them.

Q. Well if the loss amounted to anything at all I suggest you would keep a record of it?—A. That we should?

Q. That you would.—A. No, we do not.

Q. If the loss were of any consequence, I again repeat, that you would keep a record and the very fact that you do not keep a record indicates that your loss is nominal?

Mr. HARKNESS: Negligible.

By Mr. Cleaver:

Q. Is that not right?—A. No, that is not right.

Q. Can you give me the carry-over?—A. We do not keep that record on highly perishable goods.

Q. Can you give the committee figures for a week?—A. No.

Q. For a day?—A. Not going back, but we could do that for the future. The information would not be of enough value to us to compile.

Q. No, that was my point. The loss was so negligible it would not pay the cost of accounting, is that not correct?—A. That is correct, not only on bread but on any item we sell and some are much more perishable and subject to shrinkage than is bread.

By Mr. Harkness:

Q. Mr. Squair, I notice as far as this higher priced bread is concerned, in Ottawa you pay 11 cents a loaf for bread and sell it for 13 cents, whereas in Toronto, as far as Christie's bread is concerned you pay 10·93 cents and sell it for 14 cents. Is the fact bread is sold a cent cheaper in Ottawa because you have stiffer retail competition in Ottawa?—A. Again I must repeat our interest is in the 10-cent loaf and not the 13 or 14-cent loaf.

Q. Well paying attention to the higher priced loaf?—A. In answer to your question, I do not know why the price is 13 cents in Ottawa and 14 cents in Toronto.

Q. Would you not say it is due to stiffer retail competition in Ottawa?—A. I do not know why that is so.

Q. Well can you answer this question? Have the Ottawa bakeries—I think the word used by yourself was “indicate”—have the Ottawa bakeries indicated that the price should be 13 cents whereas the Toronto bakeries have indicated that it should be 14 cents?—A. My previous remarks would apply in the case of Ottawa.

Q. What was that?—A. My remarks regarding Montreal and Toronto would apply in Ottawa.

Mr. LESAGE: That is referring to your answers to me yesterday?

The WITNESS: Yes.

Mr. HARKNESS: In other words the price of that more expensive loaf is actually dictated by the bakeries in those respective cities?

The WITNESS: It is indicated, that is as far as I can go. When you say dictated, I have not explored it.

By Mr. Pinard:

Q. We have had before the committee now two chain stores, yourselves and Loblaw Groceterias Limited. Now I find that the price of bread in the two associations is exactly the same in Toronto, Montreal and Ottawa. Is that correct?—A. That is right.

Q. Do you have an agreement between you people, the chain store associations, to sell your bread at the same prices?—A. Not on bread and on nothing else. I can answer that without hesitation.

Q. How do you explain the situation?—A. That the price should be the same?

Q. Yes.—A. Well we are continually checking the prices of our competitors. They do likewise with us. Competition is responsible.

Q. Only competition?—A. Only competition.

Q. Do you know the Canadian Chain Stores Association?—A. Do I know them?

Q. Yes, are you a member?—A. Are you speaking about our Quebec operation?

Q. Yes.—A. I think so, yes.

Q. Do you know whether the other chain store organizations are members of the association?—A. I am not sure, but there are other chains belong.

Q. Do you have meetings occasionally on the establishment of your prices?—A. No.

Q. You do not?—A. No, in no respect.

Q. Have you had any meetings in the last six months?—A. I think the association you are referring to has had only two meetings in the last year.

Q. In the last year?—A. And it might be only one.

Q. Do you know who was your representative at the meeting?—A. I think our vice-president in charge of public relations, Mr. C. W. Foster.

Q. Mr. C. W. Foster?—A. I think so, yes.

Q. Now I might seem very much interested in the connection between these different corporations but I would like also to know if Canada Packers owns stock in Dominion Stores Limited?—A. Not to my knowledge.

Q. Why?—A. Because I do not know.

Q. You do not know, personally?—A. No.

Q. Do you know if Mr. J. S. McLean, president of Canada Packers, is a director of your organization?—A. No, he is not.

Q. Or any of the directors of Canada Packers?—A. No, and I can assure you they have no influence on the operation of Dominion Stores in any respect.

Q. Now is there any connection between Dominion Stores and any American chain store?—A. No.

Q. First National Stores?—A. No.

Q. None at all?—A. No.

Q. Now have we been told that you do not send bread to New York?—A. Yes, we do not send any there for scoring, or we have not.

By Mr. Lesage:

Q. Is any director of your company a director of any bakery or flour milling company?—A. Yes, Mr. J. W. Horsey.

Mr. PINARD: Of what flour mill?

The WITNESS: I thought he said bakery?

Mr. LESAGE: Yes, or a bakery, and which one is it.

The WITNESS: General Bakeries.

The ACTING CHAIRMAN: Counsel indicates he has no further questions to ask the witness. We have had quite a turn at this witness and I do not know if anyone has any more questions.

Mr. FLEMING: I have one or two.

Mr. IRVINE: And I have one or two.

Mr. LESAGE: And I was in the middle of a certain line of questioning.

The ACTING CHAIRMAN: Are you not finished?

Mr. LESAGE: I am not finished.

By Mr. Lesage:

Q. Is there any director of your company, Dominion Stores, who is a director of a bakery or flour mill or anything connected with bread or the components of bread?—A. I do not know.

Q. Would you check, please?—A. Yes.

Q. And let counsel know?—A. Yes.

Mr. PINARD: On the other questions put to the witness where he also said he did not know I would very much like to have the committee enlightened. For instance, he told us he did not know whether Canada Packers had any interest or owned or controlled an interest in Dominion Stores Limited and I think it is very important for the committee to know because if there is to be an investigation as to price fixing we would definitely need that information.

The ACTING CHAIRMAN: I will ask the witness if he will read the record, as soon as it is printed, of the questions he has been asked and on which he has not been able to furnish the information and to supply that information if it is possible for him so to do.

The WITNESS: Yes, Mr. Chairman. In answer to that, I am sure there is a better place to explore that than through me to get the information for which this gentleman just asked. I suggest that the committee have someone search the list of shareholders of Dominion Stores.

Mr. PINARD: If you were to bring along a list and file it with the committee it would be much simpler, would it not?

The WITNESS: I do not know enough about these matters to know what procedure is necessary to do that. We have some 2,000 shareholders on the list.

The ACTING CHAIRMAN: You are interested in the directors of Dominion Stores and the directors of flour mills; is that your main question?

Mr. PINARD: I am also interested in knowing who owns the controlling interest in Dominion Stores.

The WITNESS: I can answer that; no one owns a controlling interest in Dominion Stores. We have 2,000 shareholders and no one individual has control of Dominion Stores.

By Mr. Lesage:

Q. Who is the largest shareholder?—A. That could only be obtained from interested shareholders. I cannot answer that.

Q. You could not answer that?—A. No.

The ACTING CHAIRMAN: Does your annual report give the names of the directors of your company?

The WITNESS: Yes.

The ACTING CHAIRMAN: I think you will find that in the annual report which was filed yesterday.

Mr. CLEAVER: Just one question.

The ACTING CHAIRMAN: Pardon me, Mr. Cleaver, Mr. Fleming had the floor, or was it Mr. Irvine?

Mr. FLEMING: I think it was Mr. Irvine, Mr. Chairman.

Mr. IRVINE: No, you go ahead, Mr. Fleming.

Mr. FLEMING: Of course, there is no inference to be drawn from the fact that Mr. Horsey is a member of the board of Dominion Stores Limited and a member of the board of General Bakeries Limited. I would like to ask Mr. Squair if the presence of Mr. Horsey on the board of Dominion Stores has had any bearing on the price of bread or the place where Dominion Stores is buying its bread?

Mr. LESAGE: I object to that question because the question is a question of opinion. It is up to the committee to decide that.

Mr. PINARD: We already have information that General Bakeries supply bread to Dominion Stores. That is about all we could get from this witness.

Mr. FLEMING: Mr. Lesage, why not let the witness answer that question. It is not a question of opinion at all, it is a question of fact. I do not know what my friend is getting all het up about over this question. It is a very simple question.

Mr. LESAGE: Nobody is getting het up.

Mr. FLEMING: My friend yesterday asked the same question of Mr. Meech; or I think it was Mr. Pinard who asked that question yesterday of the witness then before us. I do not know why he should be asking it again today.

Mr. PINARD: This same question should have been asked of Mr. Meech but I restricted my questioning in his case because we were dealing with business which did not relate to the city of Montreal. Loblaw's do not operate in the province of Quebec. That is why I restricted my questions to Mr. Meech. I should have and could have put the same question to Mr. Meech, and I suggest we should also put the same question to other chain stores because we are here to find out why there seems to be at least a tacit agreement on the sale of bread throughout these three districts.

The ACTING CHAIRMAN: I would like to clear this up for my own information. I will ask Mr. Fleming if he would repeat his question.

Mr. FLEMING: May I ask the reporter to read it please?

The REPORTER: The question was:

Of course, there is no inference to be drawn from the fact that Mr. Horsey is a member of the board of Dominion Stores Limited and a member of the board of General Bakeries Limited. I would like to ask Mr. Squair if the presence of Mr. Horsey on the board of Dominion Stores has had any bearing on the price of bread or the place where Dominion Stores is buying its bread?

The ACTING CHAIRMAN: I might also say that I cannot see anything wrong with that question.

Mr. PINARD: Except this, that the witness has already told us that he does not himself exert any influence in the business organization of the company, Dominion Stores Limited; so, how could he know?

Mr. FLEMING: Let him say whether that is so or not. If he does not know he will say so.

The ACTING CHAIRMAN: Let him answer.

The WITNESS: The answer is, no.

By Mr. Fleming:

Q. Your answer is no. Just explain your answer, Mr. Squair; make it perfectly clear to all members of the committee?—A. Mr. Horsey as a director of General Bakeries and a director of Dominion Stores has no influence on our bread operations in the least, price or otherwise.

Q. Has he to your knowledge ever attempted to influence the place at which you buy your bread or the price at which you should buy?—A. No, sir.

Q. And you yourself are a member of the board of directors?—A. Yes.

Q. Have you attended meetings where the question of bread was discussed?—A. Our directors' meetings do not deal with the operating problems of the business.

Q. They do not at all?—A. No.

Q. So you would not know at all whether or not Mr. Horsey has intervened in any way in so far as selling bread is concerned by Dominion Stores?—A. Yes. Nobody would know that better than I would. I am the senior vice-president, the executive vice-president of the business. I know it has not been

done in directors' meetings and I know it has not been done in the operating end of the business; and no one would be better qualified to answer that than myself.

By Mr. Pinard:

Q. Besides being a member of the board Mr. Horsey is connected with Dominion Stores Limited, has he any functions inside Dominion Stores?—A. He is president.

Q. He is president?—A. Yes.

Q. President of Dominion Stores?—A. Yes.

By Mr. Lesage:

Q. What is he with General Bakeries?—A. President.

Q. President of both?—A. That is correct.

The ACTING CHAIRMAN: Have you any further questions?

By Mr. Fleming:

Q. A question was asked you earlier about the advantages that might accrue to your company through doing your own baking. Would you just carry that a step further and say why in the light of that answer you did not set up your own bakeries?—A. The answer, and it can only be made in a general way, is that that is part of our development program that we have in hand. I think to round out our operations, speaking as an operator and my experience in business, that that would be desirable; but it is not the No. 1 job that we have in our program of development.

Q. Is it a possible step for the future?—A. Ultimately I would say yes.

The ACTING CHAIRMAN: Mr. Irvine.

By Mr. Irvine:

Q. I would like to ask a few questions, Mr. Chairman, arising partly out of yesterday's evidence. Yesterday I believe the witness stated that the selling price Dominion Stores charged for bread had advanced more than the cost. Do you recall having made that statement, Mr. Squair?—A. No, I do not recall that.

Mr. IRVINE: I think Exhibit 20 will probably reveal that.

The ACTING CHAIRMAN: You refer to Exhibit 20 under Christie's Bakeries?

Mr. IRVINE: Yes.

The ACTING CHAIRMAN: That would answer your question, would it not?

By Mr. Irvine:

Q. Yes, I think so. That I think was the matter under discussion at the time. I think, if I recall it correctly, he was being questioned then by Mr. Dyde. but I am not sure who was doing the questioning; but I do feel certain that the witness had stated that the selling price Dominion Stores charged for bread had advanced more than the cost.—A. Are you referring to one brand, or to bread?

Q. I imagine we are dealing there with General Bakeries' interest in bread.—A. Yes. That is reflected in these figures.

Q. That is reflected in these figures?—A. Yes.

Q. And from such evidence, and from your own admissions, we could conclude that Dominion Stores could sell bread today at less than they are now selling it and still make as much profit as they made before the price went up?—

A. Are you talking about the cost of Christie's bread, or the profit on bread, or the profit on Dominion Stores?

Q. I am talking about the profit on bread, of course.—A. I have repeated, I think, several times that you cannot pick out one product here and relate it to profit.

Q. Well, perhaps we will get at it this way: if you will look at Exhibit 20, the Ottawa price for Standard Bread on September 1, your margin on this bread was 1.5 cents and you were selling it at 10 cents by February 3, and the cost to you was 11 cents and you were selling it at 13 cents, your margin having increased from 1.5 to 2 cents. If you reduced your price so as to sell this bread at two loaves for 25 cents, 12.5 per loaf, you would still be making just as much per loaf as you did at September 1, would you not?—A. Again, I repeat, you cannot pick out one item and relate it to profit.

Q. If we picked out the September 1, there is surely nothing wrong in picking it out, two days later the same base— —A. To this extent, you cannot pick out one item out of everything we handle and apply profit on it. We have to deal with all the commodities we sell, and I know of no other approach to it.

Q. Well, of course, it is from the gross margin that we arrive at the possibility of profit. Let's put it this way; judging from the spread in the gross margin is it not reasonable that you could have sold it for less and still be on as safe a base as you were on September 1?—A. I think answering that particular question this way, and it will be of interest to your committee, our over-all margin has declined. I cannot deal with the matter of one item. The margin that we are working on, and this is true throughout Dominion Stores, since price control has been eliminated we are on a closer margin than when price control existed.

By Mr. Fleming:

Q. Is that on a dollar and cents basis or on a percentage basis?—A. Percentage is the only figure we can deal with because you have to relate the dollars to volume.

Q. But your answer was in terms of percentage?—A. That is the only figure we can deal with, yes. When you get into cents you have to relate it to volume.

Mr. IRVINE: Well, in that case, Mr. Chairman, it seems rather futile to ask questions about the price of bread because we can get no general answer about it unless we relate it to 10,000 other items which have nothing to do with bread. Is that not so?

The ACTING CHAIRMAN: I would think, gentlemen, it would be pretty hard to get more definite evidence as to what has actually happened in these stores—that is what we are interested in—than we have in the tabulated list which has been supplied to us.

Mr. IRVINE: It was arising out of that tabulated form, sir, that I put my questions; and it does seem to me that you could reduce, for instance, the price in Montreal on bakers' first quality bread so that it would sell at two loaves for 15 cents and not make less than you were making on this bread on September 1.

The ACTING CHAIRMAN: What they should have done and what they might have done and what they will do is one thing, but what they actually have done is what we are really interested in. I judge this is evidence of what they have done.

Mr. IRVINE: I was hoping what we might bring out here might have some effect on what they do from now on. Otherwise I cannot see the use of the committee. If it is all swallowed up in an enveloping over-all I do not think we can get very far. Anyway, let me ask a few more questions.

By Mr. Irvine:

Q. As a matter of fact, in the case of Montreal if you made this reduction which I have suggested you would still be making more than you were on September 1, your margin on February 1 at two for 27 being 2.75 per loaf compared with only 1.90 margin in September.

The ACTING CHAIRMAN: Your definite question is what?

Mr. IRVINE: My definite question is on what grounds would the witness say in view of that fact that they could not sell the loaf cheaper.

The WITNESS: I suggest in answering that that we do not go into the 1,500 items but that we take all bread on the sheet in the case of Montreal and not pick out one line of bread. Take our Dominion loaf of bread and see what has happened there over the period.

By Mr. Irvine:

Q. Well, let us take them all.—A. In fairness you cannot do otherwise.

Q. I have no desire to leave any out. I merely took an example from the figures you submitted. You are taking another one which has no more status than the one I took so far as I can see.—A. If you wish to talk about giving intelligent answers I think we have to deal with it that way. There is no other approach to it.

Q. Would it not be that the reason why you have not sold it cheaper, as the wider margin would seem to suggest that you might have done, is because you do not want to test the bakers' reaction to selling at a price other than the price indicated by the bakers?—A. No, that is not so.

Q. Have you any idea of the total number of loaves of bread you sell in a year?—A. No, I have not, probably in the millions.

Q. Probably in the millions. Let us take a tentative figure just for the sake of my question. Let us take a figure of 200,000. On Christie's and General Bakeries' bread your margin increased from 2.40 cents to 3.07 between September 1, and February 3, or .67 per loaf. Your margin on Weston's increased from 2 cents to 2.50 cents per loaf or .50 cents. Your margin on baker's first quality rose from 1.90 to 2.75 or .85, and your margin on Standard from 1.50 to 2.00 cents, or .50 cents. That is taking them all. If you sold say 100,00 loaves, which is half of the tentative figure, allowing that for your special brand, and your mark-up only increased half a cent per loaf your firm stands to increase its profits by \$5,000 a year on bread alone, on the increase from that small tentative figure of sales which you must admit is much less than what you do sell. Would that not be something like the result?—A. That theoretical question has no relationship to our operation, and I would not know, but the facts are in reverse to that.

Q. I cannot elicit any more confirmation as to the probabilities of the results from your answers. Therefore I want to turn to another question. Would the witness express any opinion as to why the Montreal cost of bakers' bread is higher than the Toronto cost of Christie's bread?—A. I know nothing about baking costs.

Q. Would it have anything to do with the fact in Montreal there are five suppliers but only two in Toronto, the Toronto operation thus allowing more volume per baker and thus greater efficiency and hence the possibility of lower costs?—A. I do not think so, but I would not know.

Q. You would not say this is another instance where competition increases costs rather than reducing them?—A. My opinion is definitely no.

Q. But the facts in this case would seem to be against you?—A. Not necessarily.

Q. Well, until some evidence explaining the reason is produced we will have to stay with that conclusion.

Mr. FLEMING: Just a moment; for the sake of the record and expediting the proceedings, we can all draw our own conclusions, but I do not think this is the time to state them.

Mr. IRVINE: I probably should not do that. I sit corrected on that.

By Mr. Irvine:

Q. I want to ask a question now about margins and percentage margins. Would you explain to the committee why you calculate your margins and profits on the basis of sales?—A. Because that is the way we calculate our expenses.

Q. Is that the only answer you have?—A. That is the perfect answer.

Mr. LESAGE: And everybody does it that way?

The WITNESS: I should say the only answer.

By Mr. Irvine:

Q. I want to raise some question about that. I have compiled figures on the basis of profits and mark-ups, on the basis of capital investment, and so forth. I should like the members of the committee to have a copy of this.

Mr. JOHNSTON: Whose figures are those?

Mr. IRVINE: These are my figures.

Mr. LESAGE: We will have to cross-examine one of the members of the committee.

Mr. IRVINE: These figures give new percentages from the other angle but in the form of exhibit 20. Instead of expressing the gross margin on selling prices we have here expressed the gross margin on the buying prices, which we think is the proper basis.

Mr. PINARD: You are not a member of the board of directors, are you?

Mr. IRVINE: No, but I am a member of the public. I think there is, without any intention, of course, a misrepresentation of this whole picture to the public. For example, in your own report—

Mr. FLEMING: Just to keep us on the right track I suggest if Mr. Irvine is going to make reference to a document he is proposing to introduce he should have it proved in the ordinary way by asking the witness to look it over and concur in the calculations there made.

Mr. IRVINE: I shall be glad to do that.

Mr. FLEMING: Before it is made the basis for questions.

The ACTING CHAIRMAN: I do not know whether the committee is ready to have this on the record yet.

Mr. IRVINE: I am not particular whether or not you put it on the record. I want the committee to see what my question is based on. That is all.

The ACTING CHAIRMAN: It would appear to me we are getting into a debate now as to whether costs should be on the selling price or on the buying price of an article.

Mr. IRVINE: I do not propose to get into a debate. I merely want to point out the difference, and the different story that it tells.

Mr. DYDE: You will recall that Mr. Cleaver, I think it was, raised that question earlier.

Mr. CLEAVER: I think I should have an opportunity to pursue my questions. Perhaps when I am through my questions on the financial statement a lot of this other will be unnecessary. I asked the witness a question as to what the profits of Dominion Stores were during the—

The ACTING CHAIRMAN: Just a minute.

Mr. FLEMING: What has been done is to distribute a document which has not been proved. My whole point is the document should not even be made the basis of questions or observations until it has been proved through the witness, but what has happened now is that the document has been circulated all over the place without ever being proved.

Mr. IRVINE: We will prove it then.

The ACTING CHAIRMAN: I tried to get the committee to see what was happening.

Mr. CLEAVER: I do not think any member of the committee should give evidence.

The ACTING CHAIRMAN: I suggest that you gather up those sheets, pick them all up, and the committee will give instructions when you are to distribute them.

Mr. IRVINE: I will ask a few questions on this.

The ACTING CHAIRMAN: I am sorry if your midnight homework has not resulted as you expected.

Mr. IRVINE: I suggest to the chairman he had better not make any remarks of that kind. It would be a whole lot better for the spirit of this committee. My homework is still good. As the chairman has used his authority to collect the papers which I distributed because of a technicality, I shall try to elicit from the witness the information which should have come in the way that it would have come had I been permitted to circulate the statement.

The ACTING CHAIRMAN: I was wanting to give the committee the privilege of saying whether it should be distributed or not. That is what I am here for, and will so conduct myself.

Mr. CLEAVER: I should like to say a word in answer to what Mr. Irvine has said. I think perhaps Mr. Irvine has missed the point. As I take it the point is that no member of this committee has a right to give evidence to the committee to go on the records unless he himself goes on the stand and is sworn as a witness. Obviously if I wanted to give evidence and all I had to do was do some homework, as it has been tabbed, and have it mimeographed and I could get it on the record, why we would get nowhere. I think we may as well decide definitely now and let every member of the committee be treated alike. No member of the committee is entitled to give evidence unless he goes into the witness box.

Mr. PINARD: Directly or indirectly.

Mr. IRVINE: I think it is obvious I am not trying to be a witness. I have a statement of percentages here worked out on a little different basis than those in exhibit 20. I merely wanted to call the attention of the committee and the witness to the different story which they tell.

Mr. CLEAVER: Get the witness to accept your statement, and then having—

The ACTING CHAIRMAN: Just a minute. Mr. Irvine can bring out everything he has on this paper by proper questioning of the witness. He has every right to do that. All we are objecting to is that you have not the right to distribute a sheet that has been compiled by yourself without it being passed on by the committee. Go ahead with your questions and bring out the information you want.

Mr. LESAGE: Mr. Chairman, I have another reason for being afraid of these calculations of Mr. Irvine. He said a few moments ago that 100,000 loaves of bread at $\frac{1}{2}$ a cent profit on each would make a total of \$5,000. I checked and it is \$500. It is ten times less.

Mr. FLEMING: He said 200,000.

Mr. LESAGE: That makes \$1,000.

Mr. PINARD: He divided the 200,000 at a later stage.

Mr. LESAGE: It was ten times less.

Mr. FLEMING: He did not cut the bread fine enough.

The ACTING CHAIRMAN: Let Mr. Irvine go ahead with his question, then.

By Mr. Irvine:

Q. I ask the witness, then, to look at exhibit 20, Toronto stores, where the gross margin on the selling price is said to be 13·3 per cent.

Mr. JOHNSTON: What page is this?

By Mr. Irvine:

Q. Exhibit 20, the first page I guess, depending on how it is put together. It relates to the Toronto stores. Had this percentage been calculated on the buying price, what percentage would it have been?—A. I do not know. I have not worked it out that way.

Q. You could not work it out?—A. Oh I could, or perhaps there is an accountant in the room.

Mr. CLEAVER: I would suggest Mr. Irvine should hand this statement to the witness and give him an opportunity of checking it.

Mr. IRVINE: I have already handed it to him.

Mr. CLEAVER: He could not be expected to check these figures immediately. He should have an hour or two to do it.

By Mr. Irvine:

Q. Would it be true to say, instead of 13·3 per cent as calculated on the selling price, it would be 25 per cent as calculated on the buying price?

Mr. LESAGE: It would not be 25, it would be 15.

The WITNESS: It is 15 plus.

Mr. JOHNSTON: Your homework is in error.

Mr. IRVINE: I am not so sure about that. I merely asked the question. "Would it be 25 per cent"? I thought my friend could work it out.

Mr. PINARD: In all fairness to the witness, I think he should be given an opportunity of examining that document and giving evidence later on it. This would be fair to the committee, too, because it might delay proceedings if the witness were to examine each item on the document and give his opinion as to each item.

The ACTING CHAIRMAN: Is that the wish of the committee?

Mr. HARKNESS: I do not think we should take up the time of this committee while a lot of percentages are checked.

Mr. LESAGE: Mr. Wilson is here and he could check them.

The ACTING CHAIRMAN: We will ask that those figures be checked for their accuracy. Is that agreed?

Mr. FLEMING: Whom are you asking to do that?

The ACTING CHAIRMAN: Mr. Wilson.

Mr. FLEMING: We know what the figures as to cost to the main stores are: we know the figure at which they are selling and we know the basis on which they have calculated the percentages shown in exhibit 20. It is a percentage of the selling price to the consumer. If you are changing to a different basis for your calculations you are going to get a different percentage; we all know that. To what is all this leading?

Mr. IRVINE: If the committee thinks there is nothing to be gained by proceeding with an enquiry of that kind, I do not wish to press it. I just do not think it gives the proper picture to the people of the country when profits are calculated on that basis. For example, and this is all I want to say, Mr. Chairman, this company's profits are shown to be, on the capital invested last year, 17·7 per cent. Yet, on their sales, it was found to be a very low percentage indeed. I do not think that is a fair picture to put out to the public.

Mr. JOHNSTON: I believe you maintain the percentages should be estimated on cost rather than selling price, and in that I agree with you.

Mr. MACINNIS: If you are going to be logical, you have refused to accept this paper and, consequently, the paper is not before us.

The ACTING CHAIRMAN: To give Mr. Irvine a chance of getting this same paper on the record, I gave him an opportunity of questioning the witness. We started the questioning and the first thing we ran into was doubt as to the accuracy of the figures.

Mr. MACINNIS: The figures are not before us until they go into the record because you have refused to accept the paper.

Mr. LESAGE: Perhaps between now and four o'clock the witness or Mr. Wilson or the witness and Mr. Wilson will check the figures and then tell us if they are correct or not. If they are correct, they could be filed on the record. There is no objection to that.

The ACTING CHAIRMAN: The same figures as supplied on this sheet?

Mr. LESAGE: They could be checked from now until four o'clock and then they could be filed. There is no objection to that.

The ACTING CHAIRMAN: Is that agreed?

Mr. CLEAVER: Yes, I think Mr. Irvine has every right to file the document.

The WITNESS: We have not the facilities to do that.

The ACTING CHAIRMAN: We can give you some assistance.

Mr. MACINNIS: I wish to point out, again, that until this committee accepts this paper, it is not before us. You cannot then decide to accept it on the basis of whether it is correct or incorrect. You should accept it as it is or not at all and you decided not to accept it.

Mr. FLEMING: Let us clear this thing up because, with respect, I think there is a little confusion. The only way you can get something on the record is through a witness, as evidence from the mouth of the witness or as documentary evidence. This witness has not yet proven the contents or the correctness of these calculations of Mr. Irvine's by word of mouth. He has not done that yet. The document cannot be put in through this witness because he has not seen it before. He cannot prove the document, as a document. Mr. Irvine, who is not a witness, offers it, but he cannot put it in as a matter of proof. Until the contents of the document are proven, the document as such cannot go in.

Now, Mr. Irvine could forget about the document and simply ask oral questions based on the contents of the document and get answers. However, as has been pointed out, that is going to take a very long time. A suggestion has been made—I think it is a very sensible one—that this matter be reviewed by Mr. Wilson between now and four o'clock. We will know by that time whether it is possible to accept the document as a document which could be admitted by proof.

Mr. LESAGE: If the witness agrees with the figures.

Mr. CLEAVER: Whether the witness agrees or not, the document has been handed to the witness and the witness will give his answer.

Mr. FLEMING: That is the only way you can hope to prove the document and admit it as a document.

Mr. MACINNIS: I do not think from the argument which has been made here with regard to the document that the fact that it has been handed to the witness has any value until Mr. Irvine, through his questioning on the substance of the document, puts the matter into the record. There are two ways of accepting documents in this committee. This committee could accept it and it could become a part of the record and the property of the committee. This has now been ruled out. The other way is to read it into the record through questioning, and when Mr. Irvine has done that—

Mr. PINARD: But to have the witness examine the document would save time. If he has to examine each and every item and to make a calculation, it will take a long time.

Mr. MACINNIS: It was not to save time that the chairman ruled it out. I am not disagreeing with the fact the chairman has ruled it out. However, that was not done to save time.

The ACTING CHAIRMAN: I ruled it out because it was not proven and we would be establishing a precedent which would lead us into a lot of difficulty if we accepted it. I did say, however, that Mr. Irvine could, by questioning, elicit the information. Then, when he started his questioning it was quite evident that the witness was unable to answer by mental arithmetic some twenty-four questions which appear on this paper. The fair thing to do was to give the witness, in the interim, some help to find out whether or not these questions were right. I think that was it.

Mr. CLEAVER: May I, in the meantime, fill in the time until one o'clock, and then Mr. Irvine could carry on. I have some questions on the financial statement with which I dealt some time ago.

Mr. JOHNSTON: Not merely to fill in time.

By Mr. Cleaver:

Q. I asked you, Mr. Squair, as to whether you considered a gross margin of profit on groceries of 10·88, the figure which you gave me for a period of three months ending December 27, 1947, was, in your opinion, a satisfactory margin of profit. I understood you to answer me that your company had earned last year in profits something less than 2 per cent of your employed capital?—A. No, on our sales.

Q. Then, I misunderstood you. I am going to ask you again, do you consider the gross margin of profit on groceries, with produce and fresh meats included, of 10·88 per cent a satisfactory profit?—A. That is not profit you are talking about, it is margin.

Q. Do you consider it a satisfactory margin?—A. The satisfactory point of our operation is the net profit; that is what determines our satisfaction or otherwise.

Q. You know your financial statement. You tabled it yesterday. I am asking if you made a satisfactory profit last year?—A. Net profit?

Q. Yes, net profit.—A. Yes, I think so.

Q. If you will refer to this exhibit, you will see you made a net profit before taxes of \$1,581,000 odd?—A. What page please?

Q. Page 27.—A. To which figure are you referring?

Q. You made a net profit before taxes of \$1,581,000 odd?—A. That is correct.

Q. You made a provision for taxes of \$821,000?—A. That is correct. The taxes were about 60 per cent.

Q. What was your standard profit fixation?—A. It is in the neighbourhood of \$450,000.

Q. Then, in this item of \$821,000, the provision you made for taxes, how much of the refundable feature is there?—A. If I recall correctly, last year there was none.

Q. Then, your final net profit, after paying taxes was \$760,000?—A. Yes, on approximately \$41,000,000 worth of business.

Q. Then, referring to your financial statement, page 9, I should now like from you your total employed capital? I suggest to you it is \$5,103,000?—A. That is right.

Q. Right, a net profit after paying taxes and everything of \$760,000 on an employed capital of \$5,103,000 and I suggest to you it is about 15 per cent. You should have answered me the first time I asked you and told me it was quite a satisfactory profit.

Mr. IRVINE: That is the point.

The WITNESS: I am sorry if you asked me this question before and I did not answer it.

By Mr. Cleaver:

Q. I am going to come back to that very same loaf of bread after we get through with this and I suggest to you that 15 per cent, after the payment of taxes and all expenses, is quite a satisfactory profit on your employed capital?—A. It is much less than is normally made by the independent merchants and if we are prepared to accept that as satisfactory we are prepared to accept less than is ordinarily made in this type of business.

Q. Surely, Mr. Squair, you are quite frankly prepared to admit that a 15 per cent return on your capital invested is a very satisfactory return after paying all taxes?—A. It depends on the hazards involved.

Q. All right, I take your answer. Now come back to the loaf of bread and I will ask you again whether your gross margin of 10·88 is not a satisfactory margin?—A. It would be impossible for me to relate the two.

Q. All right, I have no further questions.

Mr. LESAGE: Did you make a difference between the investment and employed capital?

Mr. CLEAVER: I said employed, but I included the reserve of \$1,525,000. And I gave him all the breaks because his paid-up capital is only \$3,500,000.

Mr. LESAGE: Yes.

Mr. CLEAVER: And if you take the profit on that it is over 20 per cent. I added the earned surplus to give him every consideration that should be shown and the total capital, both employed and reserve is \$5,000,000.

Mr. LESAGE: But the paid-up capital is only \$3,000,000?

Mr. CLEAVER: \$3,575,000.

Mr. PINARD: You have referred to the independent grocers and you stated their margin is higher than that?

The WITNESS: Their return on their invested capital is higher.

By Mr. Pinard:

Q. Yes, but you must surely understand there is a terrific difference in the investment made; and you must realize the independent does not have this investment.—A. That is right, but his return in relation to his investment is on much higher basis than ours.

Q. If you take this basis for calculation you must take into consideration the fact you are not operating one single store but you are operating stores

everywhere, and on this volume of business you must not expect to have the same return as the smaller corner store?—A. I do not know why I should agree to that.

The ACTING CHAIRMAN: I think you could go on for quite a length of time trying to settle whether it should be a percentage on the capital employed or a percentage on the turn-over. It is another of those points constantly being debated and I will admit that it has some relationship to the price because the witness said it had relation to the over-all picture. However, I do not think we can make much headway by labouring it in either direction.

By Mr. Pinard:

Q. I will leave this for a moment and I have a couple of other questions. You told us a few minutes ago that Mr. Horsey was the chairman of both Dominion Stores and General Bakeries?—A. I said he was president of both Dominion Stores and General Bakeries.

Q. Yes. And you told us his presence on the board did not make any difference as far as the price of bread was concerned?—A. That is right.

Q. Now I want to know this. You are selling in both Toronto and Montreal bread from General Bakeries, is that correct?—A. That is right.

Q. Is that the same firm, General Bakeries in Toronto, as it is in Montreal?—A. I understand it is a branch of the same firm, yes.

Q. Do you know, for instance, Excel Bakeries in Montreal?—A. No, I do not.

Q. If I were to tell you for instance that Excel Bakeries is listed again in the Montreal telephone book as being a division of General Bakeries Ltd., would you know that?—A. I know practically nothing about General Bakeries.

Q. You do not?—A. No.

Q. Well, Mr. Chairman, I suggest this type of information is absolutely necessary if we are to make any progress in so far as agreement to fixed prices are concerned. We do not know from this witness and I cannot blame him for it, whether there exists an agreement between the suppliers of bread in both Montreal and Toronto. I would respectfully suggest that we should have Mr. Horsey or whoever is competent to answer these questions in order that we may know whether there is an agreement between the suppliers of bread to Dominion Stores Ltd.

The ACTING CHAIRMAN: We will have to accept what you say now as a suggestion and the steering committee will decide whether they want to call Mr. Horsey as a witness.

The WITNESS: I answered that question. There is no agreement.

Mr. PINARD: Well I know, but again the witness says "No," but that does not tell us why. He does not qualify his answer.

The WITNESS: That does not need to be qualified. There is no agreement in so far as Dominion Stores are concerned.

Mr. PINARD: I suggest the proper way to find out is to get it from the chairman of the board of Dominion Stores, who is also the president of the board of General Bakeries. That is the only way we would be able to find out.

The ACTING CHAIRMAN: I think your steering committee will have to decide whether that should come up. Now, would you prefer to leave your questioning until 4 o'clock, Mr. Fleming?

Mr. FLEMING: Are there other questions?

The ACTING CHAIRMAN: Well, counsel is through, and if everyone else is through probably a minute or two would be enough for Mr. Fleming.

By Mr. Fleming:

Q. Mr. Chairman, I was interested in the subject of volume and I was going to ask Mr. Squair questions along the lines of those I asked Mr. Meech at one stage yesterday. Exhibit 16, table 1, shows an increase in the per capita consumption of bread in Canada from 1939 down to 1945. There is a steady increase beginning at 88.13 pounds per annum per person in 1939, extending to 106.6 pounds to 1945. Is it the experience of Dominion Stores in its sales of bread to consumers that the increase has been parallel all through that period, Mr. Squair?—A. I think in a general way, yes.

Q. Now with the increase in the price of bread which occurred last fall, following the removal of the subsidy on flour, what was the effect on the volume of your sales? I am not speaking of measuring that volume in terms of dollars but in terms of loaves of bread?—A. The general effect was to put more sales on the cheaper loaf.

Q. Did it decrease your total volume of bread sold?

Mr. LESAGE: Mr. Fleming, the witness did not say that. I think Mr. Fleming is assuming, and I suggest that the question be reworded.

Mr. FLEMING: If my friend Mr. Lesage does not get too excited I will tell him that I will put my questions in my own way. It is perfectly proper for any member of the committee to round out his information with his own questions.

Mr. LESAGE: The witness just gave an answer that it had the effect of increasing sales of the lower priced bread, but he never said that it had the general effect of decreasing the over-all sales of bread, and that is exactly what Mr. Fleming assumed in his question.

Mr. FLEMING: May I assure my agitated friend, Mr. Lesage, that there was no assumption in my question. The question was asked for information. I am quite sure that the answer will eliminate any suggestion of assumption because there was no assumption in the question and it yet remains to be seen whether there is any assumption in the answer. If my friend will just contain himself—

Mr. LESAGE: I am containing myself but I think you should be fair.

Mr. FLEMING: Fair to what?

Mr. LESAGE: The witness.

Mr. FLEMING: The witness has not yet complained of unfairness. If he thinks the question is unfair he is at perfect liberty to say so.

Mr. PINARD: He is being fair to the committee. I am pretty sure his intention is perfectly correct and I would think he should ask him to complete—

Mr. FLEMING: Well I have asked the question and the question is in order.

Mr. LESAGE: I submit it was not in order and I want a decision.

The ACTING CHAIRMAN: Could you repeat the question? I could not find anything out of order. If this question is out of order there have been a lot of questions out of order all morning. Will you read the question please?

The REPORTER: (Reading).

Now with the increase in the price of bread which occurred last fall, following the removal of the subsidy on flour, what was the effect on the volume of your sales? I am not speaking of measuring that volume in terms of dollars but in terms of loaves of bread?—A. The general effect was to put more sales on the cheaper loaf.

Q. Did it increase your total volume of bread sold?

Mr. LESAGE: Well, if Mr. Fleming would speak a little louder it would give us a chance.

MR. FLEMING: If my friend had waited long enough he would have seen that I was not in the wrong.

THE ACTING CHAIRMAN: Well, the question has been asked.

THE WITNESS: Unfortunately, we have not the figures but the impression is that there is no decrease in our volume of bread. It may be that our volume of this or that item during the period might indicate what would apply to the consumption of bread across the country.

By Mr. Fleming:

Q. Is it in your power to find your total figures on sales of bread by different brands and prices?—A. It is not humanly possible to pick out the figures.

Q. Then, I have only one further question. Going back to your answer of a moment ago you have not got the figures on the total volume of bread handled let alone a breakdown as between different brands?—A. No, that is correct.

Q. But you are saying you are under the impression, or I understand you to say you are under the impression the increase in price did not result in an over-all reduction of the number of loaves sold?—A. In our stores?

Q. Yes.—A. That is correct.

Q. What is your impression as to whether it resulted in any checking of the trend that you speak of which has been an increase in your sales over a period of years, since 1939?—A. The impression would be that it has helped the sales of our cheaper lines.

Q. I am speaking of the over-all picture now. Do you wish to comment on that?—A. The impression would be that some of the higher priced business went into the lower priced business with the result that there is no change in the over-all picture.

Q. Have you any difficulty in getting supplies of bread to meet all your consumer demand?—A. No, none at all.

THE ACTING CHAIRMAN: I take it, gentlemen, that we are through with this witness and that at 4 o'clock when we come again we will go on with General Bakeries, I think it is.

MR. CLEAVER: I thought Mr. Irvine wanted to complete his questions.

MR. PINARD: Do we also understand that Mr. Townend would be available to the committee?

THE WITNESS: This afternoon?

MR. PINARD: No, I mean so far as Dominion Stores are concerned, before we complete this examination.

THE ACTING CHAIRMAN: We would have to decide when we are to call Mr. Townend; it will probably be when we call the president of the company, when we bring back Dominion Stores at a later date. We will have to ask the witness to come back to give his answers to Mr. Irvine anyway. Have you the answer there?

MR. DYDE: The figures have been checked and there are some slight variations in them.

MR. FLEMING: That is light wording.

MR. DYDE: I am bound to say that it is in decimal points that the variations are, so it would be difficult to put the original before the committee because of these variations. On the other hand, Mr. Irvine could very shortly, now that Mr. Squair will have a chance of looking at them—very shortly elicit by question and answer the whole of these figures. He could do that in a very short time.

MR. IRVINE: That is what I intend to do at a later stage, Mr. Chairman.

THE ACTING CHAIRMAN: The committee stands adjourned until 4 o'clock.

The committee adjourned at 1.07 o'clock p.m. to meet again at 4 o'clock this day.

AFTERNOON SESSION

—The committee resumed at 4 o'clock p.m.

The ACTING CHAIRMAN: I see a quorum, gentlemen. Mr. Irvine, you had some questions you wanted to ask?

Mr. IRVINE: Yes, Mr. Chairman. May I just say one word in explanation before I ask the question? I want to make it clear to the committee that when I tried to circulate my figures this morning I was neither trying to be a witness nor did I want it necessarily to appear in the record. I thought perhaps the committee would be better able to follow a comparison of the figures I was trying to make if they had a copy alongside of Exhibit 20.

By Mr. Irvine:

Q. Now, I intend to ask the witness certain questions and I am going to take the column under September 1, 1947, as appearing in Exhibit 20, and follow that down to the end; and should the committee think this is not a fair selection I will take the next column also, but I think one column will be sufficient on which to make my point. I should like then to ask the witness to look at the Richmello brand on Exhibit 20 and note how the gross margin selling price is there quoted at 13·3. Now, I want to ask him if the computation had been made on the basis of the cost price would it not have been 15·384. I might point out that it is customary when you are figuring to ·384 to call that ·4. For convenience I would do that. Then, it will be 15·4 which makes it just a little worse for the company?—A. Yes.

Q. That is right?—A. Yes.

Q. Then dealing with General Bakeries first quality and Christie's bread, the gross margin to selling price is quoted as 24 per cent. I take it then if it had been computed on the basis of cost price it would have been 31·6?—A. That is correct.

Q. I am taking the next one, Weston's Bread, the gross margin to selling price is 20 per cent. I take it then if it had been computed on the cost price basis it would have been 25 per cent?—A. On the basis of cost?

Q. Yes.—A. Yes.

Q. Then we will go to the Montreal stores, Dominion brand. The gross margin to selling price there is shown as 16·7. Would it not have been 20 per cent had it been computed on the basis of cost price?—A. That is right.

Q. Then we come to the bakers first quality and there the margin is shown as 19 per cent. Had it been computed on the basis I am suggesting would it not have been 23·7?—A. Yes—23·5.

Q. I beg your pardon, 23·456?—A. Yes.

Q. Then in regard to the Ottawa stores, Dominion brand, the gross margin to your selling price is 13·3. That would have been 15·3 or 15·4—I do not know whether you would call that 4 or 3·383.—A. Four.

Q. On the cost price. And then, finally as to Standard Bread gross margin to selling price is 15 per cent and if it had been calculated on a cost price basis it would have been 17·6?—A. That is correct.

Q. Now, Mr. Chairman, I am not trying to show that this is not an unusual trade practice. I believe it is the usual trade practice. I am not suggesting that this is done exclusively by the Dominion Stores. But I do say that the practice is one which is not clear to the public and I wanted to set forth the figures in contrast which would have been given had it been based on the cost instead of the selling price.—A. My opinion is contrary to that. I believe that

a basis of percentage on selling would be clear to the public, to the consumer, more so than if it had been on the basis of cost; and it certainly is of more interest to them and at a glance the consumer can see what portion of his dollar is going for any particular service or cost.

Q. Well the larger your volume of sales it is presumed you could have a smaller margin and make a fair profit?—A. Yes.

Q. And for that reason if you had an enormous volume and a very small margin it would appear that you would be making no profit at all and still you might be making a higher profit than you did before; is not that so?—A. Well, that would depend on volume.

Q. Yes, exactly; on volume. But the percentage might be shown very small on the selling price of a commodity and yet it might be an enormous profit on a year's work.—A. Yes, but the transactions are in small amounts.

Q. Yes.—A. And the profit, translating the net profit into terms of percentage to a 10-cent loaf of bread, the profit is less than one fifth of a cent; and if we gave all our profits away we could then reduce the price from 10 cents to 9·8 cents and not have any profit.

By Mr. Cleaver:

Q. No, all the quarrel is on the price. We are speaking of the standard loaf. You could reduce that by 2 cents and still have a good healthy profit.—A. No, we could not reduce that.

Q. You could reduce it 2 cents a loaf and still have 1·3.—A. Oh no, not the 14 loaf—less than one third of a cent. We could give all our profit away on the 14-cent loaf and it would only reduce the selling price less than one third of a cent.

Q. You are getting a gross margin there of 3·07, reducing it by 2 cents would still leave you 1·07 which would amount to about 12 per cent margin.—A. No, we could not pick out one item and deal with it separately.

Q. You are picking out items and I was correcting you.—A. No.

Mr. MacINNIS: If you cannot pick out these items then someone must have made a mess of this because you have picked out items.

The WITNESS: I am taking the gross margin, not the net profit.

Mr. IRVINE: If you gave away all your profit you would have a loss leader; and that left you open to the question Mr. Cleaver just asked as to the possibility of selling with a lower margin and still making a profit. I still think Mr. Cleaver is right on that. I do not know whether you can disabuse our minds of that view by simply saying that you cannot single out one commodity and arrive at the profit.

The WITNESS: Well, it is obvious that if we gave away 2 cents from the 14-cent loaf we would have to get more from some place else. That is obvious.

Mr. IRVINE: You are content with the mark-up of 10 per cent on your Richmello and you are making 15 per cent net profit on your over-all operation, what more do you want?

The WITNESS: We cannot, unfortunately, close off the deal on one particular brand.

Mr. IRVINE: I am not suggesting that you should.

The WITNESS: Then you have no profit on any transaction until you close the deal.

Mr. PINARD: What surprises me is this: you are offering to the public Richmello bread which you consider better than any other you have; you are offering this brand for sale and you take a much greater margin in one case than you do in the other. It seems to me that you should compare both figures

and have the same profit for the same quality of bread; or, to put it another way, why should you in one case take a larger margin of profit than you do in the other?

The WITNESS: We are back to where we were yesterday afternoon, and I then repeatedly tried to explain that you cannot hook one product out and deal with it separately. That is the only answer I can give you.

By Mr. MacInnis:

Q. If it were not for that suggestion from the bakery trade could you sell this Christie's bread and General Bakeries bread, the 14-cent loaf, at less than 14 cents?—A. With what result? You asked me if we could?

Q. I am asking you if you could; if it was not for the suggestion made to you or indicated at least that these prices, that that would have been the selling price, could you have sold it at a lower price?—A. We could if we wished to take it at a lower net profit.

Q. Well, you said earlier that the store price could be lower than the delivery price. Now I understand that this applies as to the delivery price as well as to the store price. Could your price be lowered on your 14-cent loaf?—A. We could, and reduce our net profit, yes.

Mr. IRVINE: Well then, take Richmello, Mr. Chairman; since this is being sold for 10 cents and they are making a margin of 1 cent it would follow that it must be sold at a loss now since 2 cents more on the other bread has got to be charged in order to break even. All we want to know is whether this is another instance where Richmello is a loss leader; either that, or you must be able to sell the other cheaper. There is no getting away from that.

Mr. CLEAVER: Do you mind if I ask one more question?

Mr. IRVINE: Go ahead.

Mr. CLEAVER: It occurs to me that if I put the question to the witness in this way it might help to make the point clear. You told us this morning your gross margin—

The WITNESS: Mr. Chairman, pardon me; am I supposed to answer Mr. Irvine's other question?

Mr. IRVINE: Yes. It was a question, I did not want to make it as an emphatic statement.

The WITNESS: I do not want to get two or three questions ahead of me which are not answered.

Mr. IRVINE: All right, answer mine. Take that first.

The WITNESS: First of all, I would like to discuss this loss leader. What is that?

By Mr. Irvine:

Q. Well, you know the meaning of loss?—A. Yes.

Q. And you know the meaning of leader?—A. Yes.

Q. Put them both together, that is a loss leader.

Mr. JOHNSTON: That is what started him, now he has a lost leader.

The WITNESS: I do not understand—

Mr. IRVINE: Perhaps you had better tell us what you mean by a loss leader and then we will all understand.

Mr. FLEMING: Mr. Chairman, without trying to interfere with the question, any witness is entitled to have a question explained to him, to have it put to him in terms he can understand. If Mr. Irvine chooses to introduce certain terms like that, I think it is up to Mr. Irvine to have the terms understood by the witness, to define them; not to ask the witness to define the terms of the question he put.

Mr. IRVINE: I was assuming that the term "loss leader" had a definite meaning to the trade and I am not now using any other meaning than what it has.

Mr. FLEMING: We had the same thing with Mr. Meech. Mr. Meech was not prepared to accept that as a term.

Mr. IRVINE: I explained that to Mr. Meech. I said it would be a loss leader from my point of view even if it were a profitable proposition but less profitable than something else.

The Committee adjourned at 4.27 to attend a division in the House.

On resuming.

The ACTING CHAIRMAN: Will you proceed with your questions, Mr. Irvine?

By Mr. Irvine:

Q. I was asking the question whether the Richmello brand of bread which sold with only a margin of 1 cent per loaf could not be regarded as a loss leader, and the witness asked me what I meant by loss leader. I will refer him to page 160 of the evidence. Mr. McGregor is giving evidence and he says:

If those who bake their own are selling bread below cost, as a loss leader, there is an element of unfairness.

I presume we can gather from that what a loss leader implies. I presume below cost would mean not only the price for which it was bought but its share of overhead, would it not, in your opinion? Would that be your idea of a loss leader?—A. My definition, no.

Q. Perhaps we had better get yours if it does not fit in with Mr. McGregor's.—A. My definition of a loss leader is selling merchandise below what you pay for it.

By Mr. Lesage:

Q. Without taking account of the overhead.—A. That is right.

By Mr. Irvine:

Q. That would go to show it is an elastic term. We will not quarrel over the actual definition, but obviously then the Richmello brand of bread was not sold below cost since it was not sold below what you paid for it?—A. That is right.

Q. Therefore it is presumed that you made a profit on it, shall we say?—A. We must assume that.

Q. If you made a profit on a loaf of bread selling on a 1-cent margin are we not reasonable in assuming that you would make a whole lot more per loaf by selling at a 3.07 margin?—A. Not unless all factors are identical.

Q. Were all the factors identical in the first example of the 1-cent margin?—A. On the one item, yes.

Q. In other words, you can be very clear on your statement in regard to profit on the Richmello brand but you are not at all sure about the Christie brand.—A. Are you talking about margin or profit again?

Q. I asked you about profit and you said you had to assume you made a profit on the 1-cent margin?—A. That is right.

Q. If you assume that then I assume you make a better one on a 3.07 margin?—A. No.

Q. Maybe my mathematics are out. I will leave it at that.

By Mr. Cleaver:

Q. I want to ask one more question to see if we cannot reach agreement. You told the committee this morning your gross margin on all of your sales, excluding fresh produce and fresh meat, for the period ending December, 1947, was 10.88 per cent.—A. Not all of our sales, sales of 44 stores.

Q. I take it that is a fair average, 10·88 per cent. All right.—A. I did not agree it is a fair average. I do not know.

Q. Well, I assume you would not be giving evidence which you thought was unfair to this committee. You tendered that in evidence.—A. If you are going to use it for general purposes I will agree.

Q. Just for general purposes.—A. All right.

Q. Now, if you look at the mark-up on the standard Christie bread which you sell your mark-up is 21·9?—A. Yes, that is correct.

Q. In round numbers that is double your gross average mark-up?—A. That is correct.

Q. Then I suggest to you that if you marked up all of your other groceries . . . —A. Pardon me; you are talking about mark-up, but when you get to the other figure of 10 . . .

Q. 10·88?—A. When you get the other figure you are talking about gross margin.

Q. You just take the time right now to reduce that figure of 21·9 to gross margin so that we are talking about the same figures.—A. I cannot reduce it to gross margin other than an average of all.

The ACTING CHAIRMAN: I think, gentlemen, this is one point we have spent a great deal of time on.

Mr. CLEAVER: If I may clinch the final question, the witness says he cannot do that. I think the committee can do it, and I am willing to leave it to the committee to do it.

By Mr. Cleaver:

Q. Then, Mr. Squair, if you were to mark up all of the other groceries you handle to the same gross margin as Christie's bread, namely, if you double it, I would suggest you would double your gross profit and that is why I say you can take 2 cents and should take 2 cents a loaf off the selling price of these standard breads.—A. My answer to that is this, that if we did that we would be out of business probably in six months.

Q. If you marked up your other commodities the way you have marked up standard bread they would be so high they would not sell?—A. Your are talking of averages?

Q. Yes.—A. Yes, that is quite true.

Q. So that if you marked down standard bread to the same mark-up as all other groceries you are selling you would perhaps sell more of it?—A. I do not quite follow that.

Q. You do not need to answer it.—A. I would like to answer that point. I do not like to leave a question unanswered.

The ACTING CHAIRMAN: I wonder, gentlemen, if you do not feel we have followed this one subject about as far as it is profitable to go now in connection with it.

Mr. DYDE: I have one question which I asked of Mr. Meech and overlooked asking of Mr. Squair.

By Mr. Dyde:

Q. Do any of the brands of bread that come into your stores come to you from the bakers with the price on the wrapper at which it is to be sold?—A. Yes, some if not all of Christie's, and some if not all of General Bakeries in Toronto, and I cannot answer the question in the case of Montreal.

Q. In these cases the price is on the wrapper, is it?—A. Printed on the wrapper.

Q. And you abide by that price when you sell retail?—A. Yes, the prices on the wrappers are the ones reproduced in these figures.

Mr. DYDE: I should say in fairness to Mr. Squair and also in fairness to the committee that when we sent out requests for the attendance of Dominion Stores and of General Bakeries we asked Mr. Horsey to attend in both cases. We found that Mr. Horsey was out of Canada at the moment and that it would be very difficult for him to get back without our having to postpone. Therefore I took the responsibility of saying to Dominion Stores that at least for the time being we would be pleased to have Mr. Squair come, and also in connection with General Bakeries the witness who will shortly be appearing before you. I want to say that because it looked this morning as though that was a point where perhaps there had been some blame laid on Mr. Squair's shoulders for it.

Mr. PINARD: Could we obtain the information we would be able to secure from Mr. Horsey from another witness? I should like to ask Mr. Squair what he thinks of that. Would it be possible to obtain the same information from another witness other than the president of your organization?

The ACTING CHAIRMAN: I understand we can get Mr. Horsey at a later date not too far distant to suit our purposes. Probably you would be content to leave it that way.

Mr. PINARD: All right.

Mr. CLEAVER: Is Mr. Squair to send the committee by letter the different types of information asked for which he did not have available? I am thinking now of my request that we should have the normal mark-up on standard breads prior to the controls, whether it is 1 cent a loaf or whatever it is.

The ACTING CHAIRMAN: If you remember, this morning we asked Mr. Squair to review the evidence after it is printed and to answer those things that he had been unable to answer.

Mr. PINARD: Mr. Townend will be available at a later date?

The ACTING CHAIRMAN: I understand so. Mr. Squair, we thank you for coming.

Mr. DYDE: Mr. Chairman, I am asking General Bakeries Limited and Mr. MacDonald to appear.

James Michael MacDonald, Secretary-Treasurer, General Bakeries Limited, sworn.

By Mr. Dyde:

Q. What is your full name?—A. James Michael MacDonald.

Q. Your address?—A. Toronto.

Q. Your position with the company?—A. Secretary-Treasurer.

Q. Of General Bakeries Limited?—A. Correct.

Q. Do you know when General Bakeries Limited was incorporated?—A. In March, 1946.

Q. Did it acquire the business of some other corporation?—A. Yes.

Q. What other corporation?—A. The Purity Baking Company. I beg your pardon, not all of the properties of that company, some of them.

Q. Do you know what parts?—A. Yes, the plant and company that was operating in Montreal, another in Toronto, another in Winnipeg, Brandon and Vancouver, all operating under different names.

Q. Will you describe briefly the operations of General Bakeries Limited; for instance, the number of bakeries—

By Mr. Pinard:

Q. At this point, if I might interject a question, could we get the names of those companies which were purchased?—A. Brosseau Limitée, Montreal; Purity Bread Company in Toronto; Bryce's Bakeries in both Winnipeg and Brandon, and Robertson's Bakeries in Vancouver.

Q. Brosseau's would be Excel Bakeries, would it not?—A. That is right.

The ACTING CHAIRMAN: I wonder if you would permit counsel to finish his questions.

By Mr. Dyde:

Q. Now, would you describe your business, please? For example, how many bakeries have you altogether?—A. Those which we purchased and which I have named.

Q. Any others?—A. None, as part of General Bakeries.

Q. Will you describe your system of selling bread? Do you sell to the trade? Do you sell retail or how do you sell?—A. In Montreal, we sell to the trade and direct to the consumer. In Toronto, we sell only to the trade or, let me put it this way, not at all directly to the consumer. In Winnipeg and Brandon, we sell to both the trade and direct to the consumers, and in Vancouver, only to the trade.

Q. You have a large operation in both Toronto and Montreal and would you say, in that operation, what proportion are the bread sales to the total sales?—A. Yes, I think I can give you that. In Montreal—these figures, incidentally, are not up to date but recent enough to be taken, I think.

Q. This would be a fair present day figure?—A. The average was 51 per cent in Montreal and 62 per cent in Toronto.

Q. And the rest of the sales are composed of what?—A. What are known in the trade as sweet goods and cakes.

Q. In the sale of bread, is the major proportion in the 24 ounce loaf?—A. Yes.

Q. Could you say the percentage or the approximate percentage which is in the 24 ounce loaf?—A. I had that figure but I cannot seem to locate it at the moment. I think, in Toronto, it is about 85 per cent. I can check on that and get the exact figure for you. It is about 97 per cent in Montreal.

May I add, in the case of Toronto, the percentage which is made up of the 24 ounce loaf is, of course, affected by the fact we sell larger than the 24 ounce loaf to the restaurant trade.

Q. All I really meant to bring out there was that the important part of your bread sales is in the 24 ounce loaf?—A. So far as bread which reaches the consumer is concerned I would say in Toronto it is perhaps 98 or 99 per cent.

By Mr. Pinard:

Q. And in Montreal?—A. At least 97 per cent.

By Mr. Dyde:

Q. That bread is sold, for the most part, unsliced?—A. Yes.

Q. And wrapped?—A. Wrapped—some is sold in Montreal unwrapped.

Q. I want to turn, for the moment, away from that to the price of flour. Could you give the committee the price General Bakeries was paying for flour per barrel on September 1, 1947?—A. I could do that by quoting the price from an invoice dated August 28, 1947, \$3.90 per barrel which was subject to a discount of 10 cents per barrel if paid within ten days.

Q. When did that price change?—A. An invoice dated September 19 with the price effective September 17, the invoiced price was \$7.95 or 103 per cent of the preceding price.

Q. Was that subject to a discount?—A. Yes.

Q. The same amount of discount?—A. The same discount, not a percentage discount but a cent discount.

Q. Of how much?—A. Ten cents per barrel.

Q. Has there been a change since September 19?—A. Another invoice dated December 4, 1947, with a price effective November 1, of \$7.60 or 94.9 per cent above the first price quoted.

Q. Was that subject to any discount?—A. The same discount.

Q. Ten cents per barrel?—A. Correct.

Q. Any other change since then?—A. An invoice dated December 27, 1947 with the price effective December 18, \$7.45 per barrel or 91 per cent over the original price and subject to the same discount.

Q. Any further change?—A. An invoice dated January 13, 1948, with the price effective January 1, \$7.30 per barrel or 87.2 per cent over the original price.

Q. Going back to the third invoice, you spoke of, I think it was dated December 4 and effective November 1; is that correct?—A. That is the information I have here and I checked that information when I went back to Toronto on Saturday. I will re-check that.

Q. I think you might re-check that, Mr. MacDonald, to make sure. Possibly you could get an invoice which is more nearly the effective date?—A. No. I cannot, sir, because I have deliberately taken the first invoice with any price change so that the invoice dated December 4 is the first invoice at that price.

Q. Also with regard to these general questions on flour cost, are you able to give the committee the average flour cost per 24-ounce loaf on September 1, 1947?—A. Not on that date. I could give you the average cost for the 24-ounce loaf for the four weeks ending September 17, 1947.

Q. Could you, by further enquiry break it down more particularly?—A. No, sir; but I think that cost could be accepted as the September 1 cost because there was no change in the flour cost in the meantime; that is, in the flour we were using in the four-week period.

Q. Then, what is the cost?—A. 2.129 cents.

Q. 2.129 cents?—A. Yes, sir.

Q. There would be a change on September 19?—A. I cannot give it to you for September 19, again, but I can give it to you for the four weeks ending November 12, or upon further search I think I could get it for you for the four weeks ending October 15. Our company operates on four-week periods.

Q. You can give it to me for the four weeks ending November 12 and you can later supply us with the October figures?—A. Yes.

Q. What is the November figure?—A. 4.427.

Q. Then your next period will expire in December. What is the date?—A. December 10.

Q. What would the average be for that four weeks?—A. I am sorry I have not that with me.

Q. You can get it for us?—A. Certainly.

Q. Have you got it for the period ending in January?—A. January 7, no, sir; but I can get it.

Q. You can get it and will do so?—A. Yes.

Q. Would it take very long to get it? Would you be able to do it by telephone this evening?—A. It just occurred to me I might have that January figure here. Well, I could easily get it for tomorrow morning's meeting, if that would be satisfactory.

Q. Yes.—A. I am not sure I can get it in time for the meeting tomorrow morning, if there is one tomorrow morning, but I can get it for you. I have it for the four weeks ending February 4, if you would like that.

Q. Yes, please.—A. 4.101.

Q. That is a four-week period also?—A. Yes.

Q. In connection with flour which you buy, has General Bakeries Limited any contract with Purity relating to the supply of flour to your company?—A. That is Purity Flour Mills, I presume?

Q. With Purity Flour Mills?—A. Yes.

Q. Will you inform the committee of the nature of that contract?—A. The contract is dated April 17, 1946. It provides that General Bakeries shall purchase its spring wheat flour requirements for use in the plants in Montreal, Toronto, Winnipeg, Brandon and Vancouver, from Purity Flour Mills; that all flour supplied under that contract shall be good quality and equal to the standard of light flour supplied by Purity to other bakeries of like character; that the price and terms of delivery and service shall be at least as favourable to General Bakeries as to any other bakers of a like character.

If Purity Flour Mills fails at any time—

Mr. PINARD: Now, Mr. Chairman, I do not want to object to the testimony as given, but since we are referring to a contract it is customary to have a copy of the contract filed. There might be other conditions in that contract which would escape the memory of the witness and we would not know what they were. They might relate to the price of flour.

By Mr. Dyde:

Q. I was going to ask the witness to give us, in brief, the terms of the contract. Then, I was going to go on from that to ask him about the contract itself. I think, perhaps, you might finish your general remarks about the contract.—A. I was about to say if Purity Flour Mills fail at any time to supply the requirements of spring wheat flour to the plants mentioned, or fail to maintain the requirements as to quality, price, terms of delivery and service, then General Bakeries is free to contract with another supplier.

Q. Have you a copy of this contract with you?—A. Not with me.

Q. Are you able to produce a copy of the contract?—A. I can, yes.

Q. Will you do so, please?—A. Certainly.

Q. May I go back to the 24-ounce loaf. How many brands of the 24-ounce loaf of bread are sold by your company, first of all in Toronto?—A. General Bakeries itself owns, I suppose I could put it that way, one brand. It is GB, in Toronto.

Q. What?—A. GB.

Mr. PINARD: What does that stand for?

The WITNESS: Good bread.

Mr. LESAGE: Good bread or General Bakeries, both.

Mr. PINARD: Is it sold in Montreal?

The WITNESS: No, not under that name in Montreal.

Mr. PINARD: Is there no good bread in Montreal.

The WITNESS: In Montreal there is Excel.

By Mr. Dyde:

Q. Do you sell any other brands in Toronto or Montreal?—A. In Toronto we sell one brand to one buyer; Richmello brand to Dominion Stores. In Montreal we sell nine or ten different brands. I should say those are not brands but they are names. They are all sold under the Excel Brand as a family name.

Q. Let us have some of the names?—A. Canada Cream, Buttermilk, Canada Approved, Belge, Parisien, and Whole Wheat. Those are what are called first quality breads. There are two others sold as second quality breads.

Q. What are they?—A. Jack Canadien and Marvel.

Q. Is the GB brand in Toronto subdivided in a similar way?—A. No sir, with one exception possibly, that we sell under GB brand what we call a scon loaf. I am afraid I misinformed the committee not as to the number of brands but as to the number of types of bread. We have recently sold one I have been terming a special bread. It is simply sold at a lower price than the other. It is an unbranded loaf. It has no brand at all.

Q. Is it sold in both Toronto and Montreal?—A. No sir.

Q. Where?—A. Just Toronto.

Q. Can you give the committee the relative volume of each of those brands, dividing it into GB, Excel, Richmello, and Special?—A. I will have to answer that this way. Sales to Dominion Stores in Toronto of Richmello, make up 13.6 of all sales; Richmello and GB together makes up 21.9. Our total in Toronto of sales of GB bread is 86.4.

Mr. BEAUDRY: Could we ask the witness to repeat those figures a little more slowly?

The WITNESS: I am sorry. I think perhaps I answered more than I was asked as a matter of fact, so this time I will restrict my answer to the question if I may. Our sales on GB in Toronto are 86.4 of the total.

Mr. LESAGE: Would you repeat what you said at first as to sales to Dominion Stores?

The WITNESS: Sales of Richmello in Toronto are 13.6 of the total sales.

Mr. BEAUDRY: Is that your total Toronto sales or total over-all sales?

The WITNESS: Total Toronto sales only.

Mr. CLEAVER: The GB was 21.9?

The WITNESS: No sir, Richmello and GB together.

By Mr. Dyde:

Q. And Special, I asked you about Special too?—A. It is negligible. It is a loaf we put out just a few weeks ago to satisfy a demand on the part of a number of retailers for a loaf that could sell for what might be called a relatively low price, but it is very, very, small in volume.

Q. Is it increasing since you put it on the market?—A. No, as a matter of fact the baking order for yesterday was 30 per cent under the baking order for a week ago yesterday.

Q. Has there been any change in the quality of the different brands that General Bakeries sell between September 1, 1947 and the present time?—A. We believe we have improved our regular loaf.

Q. Would you specify in what way?—A. We believe its colour is better, it stays fresher longer and it just looks better. I am sorry, perhaps we should decide what we mean by quality.

Q. Well, I am not pressing you for the minute on the minute details; I was really asking a general question to get us started. Has there been a change at all since September 1?—A. There has been a change in formula.

Q. There has?—A. Yes, certainly. We are constantly experimenting and if we think we have a better formula we use it.

Q. Has there been more than one change in formula since September 1, 1947?—A. I do not believe there has been in the brands we have actually sold.

Q. Can you say when the change in formula took place?—A. No, I cannot sir, I am sorry.

Q. That can be supplied if necessary?—A. I do not know whether it can or not, I am a little doubtful.

Q. Well at some stage or other the bread that went out from your bakery had a change in formula and you think you cannot place an approximate date

on that?—A. Well I know that last week for example we were experimenting with a different formula but I do not know whether the bread produced from that formula has actually been sold to the public. We considered it an improvement and I presume it has been sold but I cannot be sure.

Q. Well as a general question, and before we go into particulars, can you say whether the change in formula has resulted in a higher ingredient cost?—A. No sir, I do not believe it has because we try to improve and yet have the cost remain the same or lower.

Q. I think I am now going to ask you, in fact I am going to ask you, Mr. MacDonald, to ascertain definitely for the committee whether any change in formula has caused any increased cost to you for the ingredients?—A. I can answer that now. The answer is no. We cannot use a more expensive formula.

Mr. MACINNIS: Has it resulted in a reduced cost?

The WITNESS: As far as I know the difference is so slight that it does not count.

Mr. MACINNIS: There might be a difference?

The WITNESS: There might be, or there might not be. I mean that you might have to go to three decimal points to arrive at the difference.

By Mr. Dyde:

Q. You are satisfied that whether the change be up or down it is minute?—A. Extremely.

Q. I have asked you, Mr. MacDonald, to bring with you to Ottawa certain particulars of the selling prices of the 24-ounce loaf and you have supplied those particulars and they have been mimeographed. You have looked over this mimeographing?—A. Not the mimeographed sheet itself.

Q. Have you supplied the figures from which it was made?—A. Yes.

Q. Well, before I produce it, I think you had better just check it?—A. They look correct to me.

Q. Take a few minutes longer because I would rather have you say they are correct than that they look correct.—A. Yes, I will accept those figures.

Mr. DYDE: Mr. Chairman, I will tender as Exhibit 22, this document.

EXHIBIT No. 22—Selling prices of 24-ounce loaves in Toronto and Montreal from September 1 to February 20.

EXHIBIT 22

SPECIAL COMMITTEE ON PRICES

Selling Prices of 24-ounce loaves in Toronto and Montreal from September 1 to February 20
General Bakeries Limited

Wholesale Prices Toronto	"G.B." Brand		"Richmello" Special	
	Purchases of less than \$100 per month cts.	Purchases of \$100 per month or more cts.	Made for Dominion Stores cts.	cts.
September 1, 1947	8-00	7-60	6-50	
September 18, 1947	11-00	10-45	6-50	
September 24, 1947	10-50	9-97½	9-00	

	Purchases of less than \$130 per month cts.	Purchases of \$130 per month or more cts.	cts.	cts.
October 1, 1947	10.50	9.97½	9.00	
January 27, 1948	11.50	10.92½	9.00	
February 9, 1948	11.50	10.92½	9.00	10.50

Montreal

	First Quality Brands cts.	Second Quality Brands cts.
September 1, 1947	9.00	7.00
September 16, 1947	12.00	10.00
February 2, 1948	12.50	11.00

Retail Prices

Toronto—No bread sold at retail

Montreal

	cts.	cts.
September 1, 1947	10.00	8.00
September 16, 1947	13.00	11.00
February 2, 1948	14.00	12.00

Mr. MacDonald has just informed me that the flour costs which he gave the committee are for Toronto and that he has not the Montreal costs with him but he can have them by tomorrow.

Mr. PINARD: Is it received from the same miller?

Mr. DYDE: The witness says yes.

By Mr. Dyde:

Q. Now, if you will look at Exhibit No. 22, you will see the heading "Selling Prices of 24-ounce Loaves in Toronto and Montreal from September 1 to February 20" and the first figures that I call your attention to, Mr. MacDonald, are those for September 1, 1947, and September 18, 1947, under the GB brand. In the first column of September 1 the figure is 8 cents and on September 18 the figure is 11 cents, a difference of 3 cents. Will you please explain to the committee why that increase was necessary, if it was?—A. It may be that since our company has been in operation for less than two years that I cannot give you the whole story behind that increase from the experience of our company. I believe the full story would have to start earlier than that. Bread was under price control for a number of years up to the middle of September, 1947. At that time as it appears from the figures which I have already given you on the price of flour, the flour price had increased drastically. And then price control was removed from bread, and that was the first opportunity that the baking industry itself, or our company, perhaps I should say, had to attempt to cover not only the increased price of flour but the cost of almost everything else that goes into a loaf of bread, or into its production and distribution. These costs have been increasing over a considerable length of time. That, in general, was the reason for that increase in price.

Q. It is, therefore, referable in part to the increase in the cost of flour, in part to the increase in the cost of other ingredients going into a loaf of bread and in part is an attempt to recapture a position which has got difficult for your company. There is something more than just the cost of the ingredients, the rise in price?—A. Yes.

Mr. CLEAVER: I wonder if counsel would ask the witness whether or not we could be supplied with a copy of their financial statement?

By Mr. Dyde:

Q. Mr. MacDonald, would you furnish the committee with a financial statement of the company?—A. Yes, for our last fiscal year which ended April 2, 1947, almost a year ago.

Q. That would be the latest financial statement which is available?—A. The only one.

Q. Is there no quarterly statement, Mr. MacDonald?—A. Not formally audited.

Mr. CLEAVER: Well, they must have had some financial statement to show that their position was deteriorating as justification for this increase in the selling price over and above the increase made necessary on account of flour; and I think the committee should have that information.

Mr. DYDE: Are you able to produce a statement such as that suggested by Mr. Cleaver?

Mr. CLEAVER: I do not care whether it is monthly, quarterly or what; you should have something to show that your position was deteriorating.

The WITNESS: I was just wondering how much detail would be required on that. I do not like to be in the position of possibly divulging to competitors confidential details of our operation.

Mr. LESAGE: I do not think Mr. Cleaver wants to discover that.

Mr. CLEAVER: I think great care should be taken by this committee to see that confidential information is not divulged, but I certainly think that this firm must have some monthly or quarterly statement which led them to believe their financial position had deteriorated with the result that when the flour increase came along they voted on all these other things.

Mr. DYDE: We might give Mr. MacDonald an opportunity of inquiring into that this evening. He is going to have to do some telephoning anyway, I think; will you inquire about that, Mr. MacDonald, and be able to tell the committee tomorrow at its sittings?

The WITNESS: Yes, sir.

By Mr. Dyde:

Q. Now, I was going to follow that question, Mr. MacDonald, with this: I have called your attention to the increase from 8 cents to 11 cents at September 18, and now I call your attention to the drop in price on September 24 to 10.5 cents; and would you explain to me the reason for that, one week later?—A. Yes, a competitor as I understand it decided that they would provide their customers, their wholesale customers, with a margin higher than it previously had been given and we had followed.

Q. Are you prepared to name the competitor?—A. I cannot say as an absolute fact that a certain specific manufacturer did take that action at that time. I feel I know what happened but still I cannot swear to it as an absolute fact that that particular one did it at that time.

Q. With respect, Mr. MacDonald, I think that perhaps you have to be a little more exact than that.

The ACTING CHAIRMAN: Gentlemen, owing to the division in the House we will adjourn until tomorrow at 4 o'clock.

The committee adjourned at 5.45 p.m. to meet again on Wednesday, February 25, 1948, at 4 o'clock p.m.

Doc
m
/

SESSION 1947-48

HOUSE OF COMMONS

CH/8/2
48/11/2

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

WEDNESDAY, FEBRUARY 25, 1948

WITNESSES:

Mr. James M. MacDonald, Secretary-Treasurer, General Bakeries Limited,
Toronto.

Mr. J. Leo Kelleher, Manager, Regal Bakery, Hull, Que.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



MINUTES OF PROCEEDINGS

WEDNESDAY, February 25, 1948.

The Special Committee on Prices met at 4.00 p.m., the Chairman, Honourable Mr. Martin, presiding.

Members present: Messrs. Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Mayhew, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., and Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. James M. MacDonald, Secretary-Treasurer, General Bakeries Limited, Toronto, was recalled and further examined.

Witness retired.

Mr. J. Leo Kelleher, Manager, Regal Bakery, Hull, Que., was called, sworn and examined.

At 6.05 p.m. witness retired and the Committee adjourned until Thursday, February 26, at 11.00 a.m., both Mr. Kelleher and Mr. MacDonald being advised to be in attendance at that time.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
FEBRUARY 25, 1948.

The Special Committee on Prices met this day at 4.00 p.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: I am very happy to welcome Mr. Monette, one of counsel, who is with us at the table today. Gentlemen, will you proceed.

Mr. DYDE: We will continue with the evidence of Mr. MacDonald of General Bakeries.

J. M. MacDonald, Secretary-Treasurer, General Bakeries Limited, recalled.

By Mr. Dyde:

Q. Mr. MacDonald, there are one or two questions arising out of yesterday's evidence which I wish to proceed with first. The first is with reference to the prices that General Bakeries were paying for flour at various intervals. You gave a list of prices starting with an invoice of August 28, 1947, at \$3.90 a barrel, and going from there through a series of figures to January 13, 1948, when the price was \$7.30 a barrel. I think you have some comment to make on the figures which you gave the committee.—A. Yes. As I said yesterday each of those quoted prices was subject to a discount of 10 cents per barrel if paid within ten days. However, I did not inform the committee that in addition to those prices there is a cartage charge to the plant in Toronto of 10 cents per barrel and a piling charge of 4 cents per barrel. Actually, of course, the piling charge is in terms of bags, but converted to barrels it would be 4 cents.

Q. So if we added a net amount of 4 cents per barrel to the prices which you gave would that be correct?—A. That would be correct.

Q. Now, would you come to the question in which I asked you to give the committee the average flour cost per 24-ounce loaf in Toronto and in Montreal. You gave us some of those figures, and I think we should now complete them if you can?—A. Yes. In the period ending October 15 in Toronto 2·74—

Q. Just a minute; 2·74 cents?—A. Yes, 2·74 cents.

By Mr. Cleaver:

Q. Ending what date?—A. October 15.

Mr. DYDE: The first figure you will remember, gentlemen, was for the four-week period ending September 17, and that was 2·19 cents?

The WITNESS: 2·129 cents.

By Mr. Dyde:

Q. 2·129 cents.—A. With reference to the figure of 2·74 I think I should say that represents the average cost in that period, there having been some of the low cost flour and some of the high cost. I mention that now because the figure will be distinctly different when I come to Montreal.

Q. Then you gave us a figure for the four-week period ending November 12 which I think is 4.427?—A. That is right.

Q. Have you the figure now for the period ending December 10?—A. 4.21.

Q. And for the period ending January 7, 1948?—A. 4.16.

Q. Those are all in Toronto?—A. Yes, sir.

Q. Can you give us comparative figures for Montreal?—A. September 17, 2.059; October 15, 4.01; November 12, 4.167; December 10, 4.02; January 7, 3.92; February 4, 3.776. You will note some of those figures are in three points of decimals and some in two. That happens to be because two different people worked on them.

Q. Have you yet, Mr. MacDonald, procured a copy of the contract of April 17 with Purity Flour Mills?—A. No, sir.

Q. It has not arrived yet?—A. No, sir; I understand it is on the way.

Mr. CLEAVER: And the financial statement?

By Mr. Dyde:

Q. With reference to the financial statement you told us yesterday there was an annual statement of April 2, 1947?—A. Yes, sir.

Q. And members of the committee asked if there were subsequent statements that you could produce for the committee?—A. I have asked the office in Toronto to send up whatever material they have on that question. However, it has not arrived. I feel, as I said yesterday, in a rather delicate position on that point about submitting interim statements which up to the moment have been kept rather closely guarded in the company. Whether it would be justifiable to allow competitors to know, even before our own shareholders, the results of our operations is somewhat of a question in my mind. I am wondering if it would be possible in some way to satisfy that question without actually divulging our operating results or details. I do not like to withhold anything at all from the committee. I want to cooperate as far as possible, but I do feel in a rather delicate position on that.

Mr. DYDE: It may be, Mr. Chairman, that a decision will have to be made with regard to that. The actual documents have not appeared in Ottawa. I think it is quite possible this witness will be here tomorrow morning. It is possible we will not finish with him. It may be when those documents come to hand he will have something further to say, but it is a question which I think is before the committee as to the degree in which the witness' wishes should be respected in this connection.

Mr. LESAGE: Mr. Chairman, I propose that when the documents arrive here in Ottawa they could be shown confidentially to counsel under his oath, and counsel could give us an opinion as to whether he thinks that it would be unfair to the company.

The WITNESS: May I offer a further suggestion?

Mr. DYDE: Yes.

The WITNESS: I think I would be perfectly glad to show them to counsel and if this is a proper suggestion—I do not know whether it is or not—to the chairman also.

The CHAIRMAN: I think we ought to wait until the documents are here tomorrow.

Mr. MACINNIS: The question there is can this committee take cognizance of material the committee has not seen? For counsel and the chairman to see the material is not the same as the committee seeing it. I do not think we can use material of that kind.

Mr. PINARD: There is also this point. This may create a sort of precedent, and other witnesses will ask for the same privilege.

The CHAIRMAN: I agree we have got to be very careful in what decision we make on a matter of this sort.

Mr. CLEAVER: It was I who asked for the production of this material. I should like to put on the record the reasons I asked for it.

I concede at once that the committee should not ask for the production of what we might call trade information, information which should be kept confidential to the different firms, but the evidence we had yesterday, if I understood the evidence correctly, was that in Montreal the manufacturers have taken an increase in selling price of 3.5 cents per loaf with respect to one brand and 4 cents with respect to three other brands. Four cents per loaf is practically double the increased cost of the flour content of the loaf.

The firm says their financial position was depreciating, and that they were running into other increased costs which justified the amount that they have increased the selling price of their loaf. I think this committee is entitled to have sufficient evidence to substantiate the statement that the firms are entitled to this increased mark-up. I think the responsibility is on the firm to look around and to find satisfactory evidence to justify that.

Mr. PINARD: May I also add that we are here to investigate as to the causes of the rise in prices. The same thing may be said by other witnesses, that they had to vary their price recently, and they will not be able to supply us with information because their annual reports will not have been published. Therefore we will be in the same position. We will not be able to get information as to their justification for raising their prices. I would think it would be rather difficult to accept the suggestion made by the witness.

Mr. LESAGE: Mr. Chairman, I do not agree with either what Mr. Cleaver or Mr. Pinard have said, but if the witness feels that the documents he is going to receive, and the information which will be contained in the documents, is in part, or could be in part, detrimental to the company if disclosed I wonder if it would not be in order, and to establish this as a precedent, that counsel and the chairman go over the documents received and tell the committee if certain parts of the documents should be kept secret in their opinion.

The CHAIRMAN: Mr. Lesage, do you not think there is a weakness in that suggestion? I do not believe any one member of this committee can have access to information that is not open to all members of the committee. As chairman I certainly would not want to have any information put before me that might influence my judgment as one member of this committee unless that same information was open for investigation and consideration by every member of the committee. I think that is a rule. That does not deal with the problem that is projected to us by the witness.

Mr. IRVINE: What exactly is the nature of this information and what period does it cover?

Mr. CLEAVER: I understood the witness to say yesterday that the financial information which the firm has from month to month gives particulars of costs, and sufficient particulars of costs that it might be harmful to the firm to permit other manufacturers of bread to have access to that confidential information.

My point was that I was wondering why the accountant, acting for the witness, should not prepare for this committee a statement leaving out the confidential information, but still giving us the cost figure.

The CHAIRMAN: After all, that is what we want.

Mr. CLEAVER: Give us the total, not breakdowns, just the total.

By Mr. Mayhew:

Q. Are those statements to which you are referring audited statements?—
A. No, sir.

Q. Then, you are not too sure that the statements you will file with us are actually correct statements until they have been audited?—A. I could say quite definitely the sum total of the statements up to the end of the year would not equal the audited statement. I could make that as a definite statement.

The CHAIRMAN: The position is that the witness has some information, which may or may not assist us, concerning costs. This committee wants that information and I think it is entitled to get it.

Mr. MAYHEW: Do you think we could get what Mr. Cleaver desires by questions rather than through the documents?

The CHAIRMAN: I suggest we proceed and, as the material will be here tomorrow, we will simply have to deal with it tomorrow. I do not think we can do anything more at the moment.

Mr. FLEMING: We have not disposed of the suggestion to the witness that he might show this material to Mr. Dyde.

The CHAIRMAN: He could do that but that does not, in any way, preclude any member of this committee from wanting to see that information.

Mr. FLEMING: No, I wondered if that was going to advance the situation at all?

The CHAIRMAN: Counsel has a right to see anything.

Mr. IRVINE: The problem really is that the witness thinks it would expose certain secrets which he does not wish to expose.

The CHAIRMAN: That may be the case. I suggest we deal with that tomorrow. The evidence will be here and counsel will look at it. We will simply have to face this question tomorrow when the material is here.

Mr. JOHNSTON: I am wondering what type of information that might be. I could understand, if the witness was showing us the formula which the company uses in the manufacture of bread, that it might be used by their competitors. I am just wondering what other type of information there would be which could be harmful to the company if it were made public. Would the witness give us a review of that?

The WITNESS: Yes, the approximately correct net result of the company's operation since the end of the last fiscal year, broken down into periods.

By Mr. Johnston:

Q. That is the monthly result, would you say?—A. Yes, sir.

Q. Would the quarterly result be harmful?—A. In exactly the same way.

Q. Would the yearly results be harmful?—A. I have not them.

Q. If that were true, then your final audited statement should not be published?—A. No; my point, sir, is this: the next final or annual audited statement will not be published perhaps until some time in June or July. Up to that time nobody, except the immediate officers of the company, knows anything whatever about the final end result of the company's operation during the preceding year, nor do the shareholders know.

Q. It is just a question of timing as to when those figures should be released?—A. I do not wish to make it a question of timing, no. It is a responsibility to the owners of the company, the shareholders, about a thousand of them or so, as well as the divulging of information to competitors. There are really two points involved, from my point of view.

Mr. MacINNIS: I am wondering who those competitors are, in view of the information before us in Exhibit 20, which indicates the selling price in every case from all bakeries is the same. Where does the competition come in? What is there to hide? I think, perhaps, we are making a mountain out of a molehill. However, we can leave that until tomorrow.

The CHAIRMAN: I think Mr. MacInnis' suggestion that we leave it until tomorrow is a good one. We do not know precisely what information we are now concerned about. When the documents arrive, counsel will see them and we will have to deal with the matter then. It may be we can find a formula and it may be that we cannot. I suggest we leave it until tomorrow.

By Mr. Dyde:

Q. Mr. MacDonald, would you have Exhibit 22 in front of you?—A. Yes, sir.

Q. In referring to Exhibit 22, I note that the price of G.B. brand went from 8 cents to 11 cents on September 18. I believe I have already asked you why that took place and I want to ask you that question again. Why did that price increase take place from 8 to 11 cents? In that connection I want to refer you to the figures which you have given us on the cost of flour for the same period.—A. Yesterday I stated, in reply to approximately the same question, the basic reasons for the increase of 3 cents, at a time when flour increased by a little over 2 cents, I believe, per loaf went back beyond the origin of the company I am representing now. I believe I also said I, therefore, could not give the full story but, in the meantime, I have obtained some additional information from our Montreal plant which carries back into the operation of the preceding company.

Q. The preceding company there is?—A. Brosseau Limité. In connection with this information, I would suggest if I may, that reference be made to table 3 of Exhibit 16. The second line of figures in that table indicates that the price of bread, as sold from the baker's wagon, did not change from August, 1939, until October, 1947. The October date, of course, is in there because these are the first of the month quotations.

In the first line of the second section of the table—the third section, rather, of the table, there is indicated one change in price by independent grocers. However, I think from my point of view, speaking as an official of a baking company, we should refer to the baker's wagon price as having not changed since August, 1939.

Now in connection with that I have before me a list, not complete, but a fairly substantial list of the prices or costs of a number of different materials starting with August, 1939, and working through to September, 1947; and then, in February, 1948. In that connection, I think, for the moment, we might ignore the question of flour.

The next item to that which I have is milk powder—in August, 1939, \$8.25 per hundred weight.

By Mr. Fleming:

Q. May I interrupt, just for the purpose of understanding this; is the witness now giving us certain figures on the cost of the ingredients of bread?—A. Yes, sir, that is it. August, 1939, \$8.25.

By Mr. Lesage:

Q. Is that price per barrel?—A. Per hundred weight. February, 1942, \$10; September, 1947, \$14.50; February, 1948, \$15.50; the percentage increase in that item at September, 1947, was 76 per cent over August, 1939, and the percentage on February, 1948, was 87.90.

Lard is the next item, also per hundred weight. August, 1939, \$7.25; February, 1942, \$11.85; September, 1947, \$21.50 a percentage increase up to that point of 196.55. February, 1948, shows the same figures, \$21.50, and a percentage increase of 196.55.

The next item is called divider oil, which is a supply, of course, rather than an ingredient. The prices are per gallon. August, 1939, 52.25; February, 1942, 63; September, 1947, 78; a percentage increase to that point of 49.28. The same two figures would apply in February, 1948, 78 cents and 49.28 per cent.

The next item is also a supply rather than an ingredient. It is called Trough grease.

By Mr. Johnston:

Q. What do you mean by "a supply" rather than an ingredient?—A. An ingredient is something which will go into the actual loaf of bread. A supply is something which is used in the preparation of the loaf or the preparation of the pans. For example, the greasing of the pans, the grease used there would be a supply, as I am using the term.

Trough grease, per hundred weight, in August, 1939, \$8; in February, 1942, \$10.50; September, 1947, \$11.25; percentage increase being 40.62. Again, the same two figures apply in February, 1948.

Pan oil, per hundred weight, August, 1939, \$15; February, 1942, \$20; September, 1947, \$30. The per cent increase up to that point being 100 per cent. In February, 1948, \$32.50. The per cent increase being 116.66.

The next item is an ingredient, yeast food; I am using that term rather than using the one which is commonly used in the trade which is a trade name. In August, 1939, \$5.50; February, 1942, \$6.50; September, 1947, \$6.50 again.

Q. What bulk is this?—A. Per hundred weight. The percentage increase to that point being 18.18. The same two figures apply in February, 1948.

Yeast, itself, per hundred weight was \$16 all the way through to February, 1948, when it became \$17, with the small percentage increase of 6.25.

The next item is malt, per hundred weight, \$8.25; February, 1942, \$8.25 again; September, 1947, \$9. The increase is 9.09 per cent. February, 1948, \$10; the per cent being 21.21. Sugar, per hundred weight, August 1939, \$4.80; February, 1942, \$6.89; September, 1947, \$7.94; the percentage increase being 65.41 and again the same two figures apply in February 1948.

The next is wrapping paper. In August 1939, per hundredweight, 11.55; in February 1942, 13; in September 1947, 15.10; the percentage being 36.66 at that point; and in February 1948, 16.80; the percentage being 45.45.

Up to that point those are all what might be called production items. Then we can get into distribution items which would include, in the case of Montreal where we use horses and wagons to some extent, necessarily horse feed of various kinds. I can give two examples there. The first is hay. In August 1939, \$9 per ton; in February 1942, \$22 per ton; in September 1947, \$25 per ton; the per cent increase being 177.78. The same two figures apply in February 1948.

The next item is oats.

Mr. CLEAVER: Mr. Chairman, I wonder if in order to save time, the witness could not put that on the record and give us a composite statement?

The CHAIRMAN: It is pretty hard to follow all right.

Mr. CLEAVER: He could give us a composite statement on each of those components showing the increase from September 1, 1947, to February 1, 1948, related to the cost of a 24-ounce loaf.

Mr. DYDE: I did not know that we were going to get into such a long list and I did not know the list was starting but I quite agree that should be done and I am sure the witness can do it.

Mr. CLEAVER: Our time should not be taken up while he reads all this.

Mr. FLEMING: May I interrupt for a moment? Is the witness in a position to give the over-all figure now on the increased cost of production?

The WITNESS: No, sir. And some of those items may not be susceptible to division to the single loaf, particularly those which enter into the general operation of the plant or into the distribution of the products of the plant.

Mr. CLEAVER: I am not an accountant, Mr. Chairman, but I say the total could be related to the total cost of carrying on business and certainly an approximate estimate, reasonably accurate, could be made reducing it to the 24-ounce loaf.

The CHAIRMAN: Surely that is possible.

The WITNESS: It is a question of cost accounting.

Mr. CLEAVER: We are not cost accountants.

The CHAIRMAN: I know, and certainly the witness must have an idea what it costs to produce a particular loaf; otherwise how could you have an idea of what your profit is? Surely it is possible to give the committee a picture on that.

The WITNESS: I can attempt to, but the distribution of some of the items will have to be completely arbitrary.

The CHAIRMAN: Well, let us try that line and see where it gets us.

Mr. CLEAVER: We are just wasting our time to go all through this.

By Mr. Dyde:

Q. I think perhaps, before you leave that, I should point out you said you omitted flour and as you have given these figures with regard to a number of items you had better complete it with regard to flour.—A. The figures I happen to have here are on a cotton bag basis whereas the figures I gave earlier were on a paper bag basis, so these figures here will not exactly correspond with those I have previously given for flour.

Q. Give them to us anyway, as I think we should have them as an example.—A. In August 1939, \$3.80 a barrel; in February 1942, \$4.50; in September 1947, \$8.30; the percentage being 118.42 and in February 1948, \$7.70, the percentage being 102.63.

Mr. PINARD: You gave this information per bushel yesterday, did you not?

Mr. CLEAVER: Per loaf of bread.

Mr. LESAGE: Mr. Chairman, if we are going to have a composite table of this I would like the same dates to be kept in mind on the table. The figures would be given for each date which has already been mentioned.

The WITNESS: Yes.

By Mr. Fleming:

Q. May I ask is there only one kind of flour used?—A. In all the cost prices I have quoted for flour, second patent flour is referred to.

Q. Well, do you use any other kind?—A. Yes, to a slight extent.

Q. In baking bread?—A. Yes.

Q. Is there any difference between the different loaves you turn out?—A. There would be.

Q. How is that going to affect these figures? Are these figures on the movement in the cost of flour on the one brand you have referred to?—A. Just on the one kind of flour, yes.

Mr. LESAGE: Well, that goes into the 24-ounce loaf that we were talking about.

The WITNESS: Yes.

Mr. FLEMING: But I understood the witness to say there are other kinds of flour that may in part go into the same loaf.

The WITNESS: The movement in the other costs would be approximately the same.

Mr. CLEAVER: The lines are parallel so it would not make any difference.

By Mr. Dyde:

Q. How many 24-ounce loaves of bread can be made from a barrel of flour?—A. That may vary from day to day in a single plant, and from plant to plant, but I think the figure of 185 could perhaps be used safely.

Q. We have had some evidence, Mr. MacDonald, that your bread, or some of it, is sold with a wrapper and the price on it, is that correct?—A. Yes I believe it is.

Q. Well, can you be specific about that?—A. Do you know what brands are sold with the price on the wrapper?—A. In Toronto, I was told last night on the telephone, that at the present time GB brand does have the price of 14 cents on it. That I think is very recent, because when we first changed the price in January, we used a plain wrapper without a price indication. In Montreal prices are not shown on our wrapper.

Q. Well, GB brand in Toronto is the only one that has the price on the wrapper or are there others in Toronto?—A. That is the only brand we have in Toronto.

Q. Yes, now going back to Exhibit 22—

The CHAIRMAN: Just a moment, what does GB brand sell in Montreal for?

The WITNESS: In Montreal we do not use the GB brand. There we have a number of different breads with different names all under Excel as the family name.

The CHAIRMAN: Have we had comparative figures as between Montreal and Toronto?

Mr. DYDE: Yes.

The CHAIRMAN: All right, go on.

Mr. DYDE: Mr. MacDonald, I want you to go back to Exhibit No. 22 and to the figures of October 1, 1947, and January 27, 1948, after the heading "GB brand", and I notice there a price increase of 1 cent a loaf on January 27, 1948. Now at that time flour costs were going down but the price of the bread increases a cent a loaf. What is the reason for that increase?

The WITNESS: At the time of the first increase in September it was my understanding that some baking companies thought the price should then go up by 4 cents, that is the retail price I am speaking of now, and others thought it should go up by 3 cents. Our own company thought it would be necessary to have a larger increase but since the other companies decided to go up only 3 that is as far as we could go. We felt also at the time that it would be necessary some time to go up that other cent unless costs declined very considerably. We watched our operations very, very, carefully and finally came to the conclusion we just had to increase it if we were to operate at all profitably.

By the Chairman:

Q. Why did you make the statement a moment ago that you wanted higher prices but the other groups wanted lower prices and you could not go beyond the lower price?—A. Well, we felt that 4 cents would be required.

Q. My question is what did you mean when you said "we could not go beyond the more general agreed price"?—A. Because, if other baking companies sold bread at a cent less than we did we just would not sell any.

Mr. CLEAVER: Now that is the statement I wanted, Mr. Chairman, the financial statement that allows this firm to believe they could not operate on a certain increase. They must have that material available in the firm and I think this committee should have it.

The CHAIRMAN: Yes, well there is no doubt we are going to get that information. Having been absent I am a little handicapped, Mr. Cleaver, but I did read the evidence of yesterday this morning. Is there any reluctance to give that information?

Mr. CLEAVER: No, no, but I just wanted to emphasize it to the witness so he would understand what was wanted.

The CHAIRMAN: Quite.

By Mr. Dyde:

Q. After September 15, 1947, Mr. MacDonald, did the company wait until its inventories of the lower priced flour were consumed before the bread prices were increased?—A. No, sir.

Q. Well, if that is the case can you tell us what the inventories of flour were on September 15 in barrels?—A. In Toronto, 663;—

Q. 663 barrels?—A. Yes, sir.

Q. Yes.—A. And in Montreal, 469.

Q. And were those inventories higher or lower than normal for that period of the month?—A. There are considerably more, sir.

Q. How much inventories were used before the price of bread was increased?—A. In Toronto—I do not think I can answer that question immediately, sir; I want to make some computations here.

Q. Perhaps we need not interrupt proceedings to ask you to make those computations at the moment but if there is a chance to do so before the close of proceedings I would like you to do it; if not, we will have it for the morning.

By Mr. Cleaver:

Q. These stocks on hand at Montreal and Toronto representing 300,000 loaves would be sufficient to cover a good many days' production, would they not?—A. It would be slightly less than a week. The company made a check the latter part of the control period and brought into effect a general policy of cutting into inventory on all supplies of materials so that inventories at that time happened to be at the lowest point for that month.

By Mr. Dyde:

Q. I want you to give me these figures, Mr. MacDonald, but do not work them out at this minute. Does General Bakeries, or do any of the bakeries suggest or enforce a retail price by stores?—A. The company has no control over the retail price except, of course, where it sells at retail in Montreal.

Q. You have told us that you put a price on the wrapper. Do you say to the committee that that is not a suggestion as to the retail price?—A. To that extent it would be, yes sir.

Q. Is it not a very definite suggestion, Mr. MacDonald?—A. Yes, I believe it would be, certainly.

Q. As far as you know no retailer has ever sold below that, has he?—A. Yes.

Q. They have?—A. I believe, or I understand, they have.

Q. On many occasions?—A. I have no idea, sir.

Q. It would be rather rare, would it not?—A. I understand it was recently.

Q. Can you be specific?—A. In what way, sir?

Q. Can you be specific as to how many occurrences have been brought to your attention?—A. I have been told of two retailers.

Q. Two retailers?—A. Yes.

Mr. PINARD: Lately?

The WITNESS: Recently. I should say within the past month.

By Mr. Lesage:

Q. Do you know where?—A. In Toronto.

Q. You said you are not suggesting the retail price except by the 14-cent mark on the wrapper, but if my memory serves me well only a few moments ago did you not say the bakers thought the retail price should go up?—A. I think I was speaking then of the retail price; but perhaps, if you will allow me to explain, I was speaking mostly of Toronto at the time.

Q. Yes?—A. In Toronto there are some bakers who sell both wholesale and retail.

Q. Yes?—A. With the result that those bakers speak in terms of retail price.

Q. Yes?—A. There are two large bakeries, including ourselves, who sell wholesale and as we are in that business we normally speak of the wholesale price.

Q. So you had some talks with other bakers before increasing your price?—A. To my own knowledge, one.

Q. Who was he?—A. There were several.

Mr. DYDE: Would you explain that, Mr. MacDonald; you had one talk with several people?

The WITNESS: I was present at a meeting of perhaps five or six bakers some time during the first half of—it was held in September.

By Mr. Lesage:

Q. Yes?—A. After there had been distributed what appeared to be fairly definite word that the subsidy on wheat was to be removed and that the ceiling on the price of bread was to be removed.

Q. And what happened at that meeting?—A. A complete disagreement.

Q. A complete disagreement?—A. Absolutely.

Q. Which continued showing the price afterwards?—A. I beg your pardon?

Q. Which continued to show the price afterwards?—A. Yes, it did, because the price was 13 cents retail rather than 14 cents.

Q. What was that?—A. I said, the price was 13 cents rather than 14 cents afterwards so there was complete disagreement among the bakers as to whether the price should go up 3 cents or 4 cents.

Q. At retail?—A. Either wholesale or retail.

By Mr. MacInnis:

Q. Did some go to 13 cents and some to 14 cents?—A. I do not believe there was any vote.

Q. I do not mean vote, did some sell at 13 cents and some at 14 cents?—A. At that time, I do not believe so, sir.

Q. Well then, they disagreed to agree on a price then?—A. As far as we were concerned the information given to us was that other bakers were going to sell at 13 cents, and that is why we sold it at an increase of 3 cents.

By Mr. Lesage:

Q. That is the reason why you sold it at that price?—A. I said at 13 cents; yes, sir; instead of an increase of 4 cents.

Q. For what purpose was that meeting called? Was it called to discuss prices?—A. It was not called, as far as I know, for a discussion of prices. It was called, as I said, before the removal of the wheat subsidy and before the lifting of the ceiling on bread because of reports that were generally distributed throughout the trade with respect to these two factors. That is why the meeting, as far as I know—and it was informal—was called. By “informal” I mean it was not a meeting of a permanent association.

Mr. CLEAVER: Who called it?

The WITNESS: I do not know, sir.

Mr. PINARD: Do you know who were present at the meeting?

The WITNESS: No. I met them only that once and I have not seen them since.

By Mr. Winters:

Q. Did you know the gentlemen who were present?—A. No, sir.

Q. Who called you to the meeting?—A. I was advised by my senior officer who said to me, you might just as well go down there and see what goes on. Q. Was it after that that you put prices on your wrappers?—A. We had the price on the wrapper then.

Q. What was the price on your wrapper?—A. Ten cents.

Q. And subsequent to that you changed it to— —A. 13 cents for a time. If I remember rightly we used a band with the 13-cent price on it.

Q. What was the reason the company were putting the price on the wrapper?—A. I think—I do not know the background of that, the history of that—but I understand it is customary on the Toronto market; and many of the retailers like to have the price on the wrapper.

By Mr. Pinard:

Q. Was that done before the war, for instance?—A. I have no idea, sir.

Q. Was it done to your knowledge?—A. I cannot speak to my own knowledge.

By the Chairman:

Q. I would like to ask just one or two questions. Speaking a short time ago you said there were two cases within your knowledge of retailers who sold below the marked price?—A. I believe there were, sir.

Q. What happened to the relationship between those two dealers and your company?—A. Nothing whatsoever, sir.

Q. Is it not a fact that they were told they could not have bread any more if they sold below the marked price?—A. No, sir; not by us.

Q. Not by anyone of your company?—A. Not to our knowledge, not to the knowledge of the officials.

Mr. LESAGE: Who else would have told them, have you any idea?

The WITNESS: Possibly they might have been told that by one of the drivers. I do not know the details of the case.

By Mr. Lesage:

Q. Would you look into the details of that case and get us the names of the two retailers?—A. I will try to.

Q. Can you give us the names of the men who were present at this informal meeting which you say you were told to attend?—A. No, sir; I cannot give you their names because I met them all the one time and I have not seen them since.

Q. Could you give us the names tomorrow morning?—A. No, sir; I could not.

Q. Were you present?—A. I was present.

By Mr. Pinard:

Q. Where did the meeting take place?—A. During the first half of September.

Q. Where?—A. In a hotel room.

Q. In the Royal York?—A. No, I think it was in the King Edward.

By Mr. Lesage:

Q. What was the number of the room?—A. I have no idea.

Q. In whose name was the room taken?—A. I do not know, I am sorry.

The CHAIRMAN: Is it not inconceivable that you who are in this business would not know the names of those who were present at that meeting?

The WITNESS: I had never met any of the bakers before. I had only been in the business about ten months and at that time I did not know any of the other officials of the company.

By Mr. Winters:

Q. The witness said that a senior executive, or someone, suggested that he attend the meeting?—A. That is right.

Q. I think this senior executive might be in a position to say who called the meeting, and possibly who were present.

By Mr. Dyde:

Q. Who was your senior executive?—A. Mr. Wright.

Q. What is his position?—A. Vice-president and general manager.

Q. You said that the meeting had not been called for a discussion of prices, for what was it called?—A. I understood that it was called for a general discussion of the position of the industry because it had been under, so far as bread was concerned, strict control for some years and there was some question throughout the industry itself as to just what was going to happen to the industry with the removal of the restrictions and with the removal of the subsidy; and I understand, but I have no certain personal knowledge of this, that similar meetings were held in many other cities for the same purpose.

Mr. LESAGE: And the only answer was an increase in price. Everybody is agreed on that.

Mr. FLEMING: You can't answer.

By Mr. Lesage:

Q. The only decision to remedy the situation was an increase in the price and I suppose everybody agreed on that?—A. No, I would not say that everybody agreed on that.

Q. Well, did I not understand you to say that there were some who said they would not carry on without an increase in price?—A. No, sir; I did not mean that.

Q. Well then, there was a gentlemen's agreement that the remedy was an increase in prices?—A. When and if the subsidy on wheat was removed.

Q. Yes?—A. It was obvious to the industry that it had to happen.

Q. I did not say it was not obvious. That is what I meant. That is why I was surprised to hear your first answer. But even if there was an increase in prices, prices must have been discussed?—A. Oh, they were, sir.

Q. They were?—A. Yes, sir.

Q. How were the five or six bakers represented? Were they all making deliveries wholesale and selling retail?—A. I do not know, sir, whether they all were or not.

Q. You do not know? You do not make any retail deliveries yourselves, your company?—A. No.

Q. You are only wholesale?—A. That is right.

Q. Were you the only one in your category?—A. As far as I know, sir; as far as I know.

Mr. CLEAVER: You told the committee a few minutes ago—

The CHAIRMAN: I do not think Mr. Lesage was through.

Mr. CLEAVER: I am sorry.

By Mr. Lesage:

Q. Could you not tell us a little more as to the discussion about prices between these gentlemen and yourself; you took part in the discussion yourself?—A. I did not. I did not say anything.

Q. You did not open your mouth?—A. I do not believe so.

Q. Was there any chairman?—A. No, sir.

Q. Was there no chairman there, or nobody who acted as chairman?—A. Not at that meeting. I never knew there was a chairman. We were just sitting around.

Q. So there was no chairman there?—A. No. It was an informal meeting. There was no chairman that I know of.

Mr. PINARD: It was sort of a round robin affair.

By Mr. Lesage:

Q. As you say, it was an informal meeting. Nobody was in charge of it?—A. All I can say is that we were just sitting around talking. There was no chairman as far as I know.

Q. Do you really want us to believe that you do not remember even the family name of one of them?—A. I do not, sir. I do not remember the family name of any one of those men.

Q. Were you introduced to them? Did you introduce yourself?—A. I was introduced to several of them, yes, sir, to three of them, I believe, as I recall, but there were two or three others came in later and I was not introduced to them.

Q. By the conversation that you had did it appear to you that they were representing large bakers?—A. Yes.

Q. You should know the names of the bakers. What are the names of the bakers that they were representing?—A. I think you could safely go on it the larger bakers in Toronto were represented at that meeting.

Q. Pardon?—A. I think you can safely go on it that the larger bakers in Toronto were represented at that meeting.

Q. Who are they then?—A. I will name the ones I know as the larger ones without specifying that they had a representative at that meeting because as I say I do not know the names of the men who were there. There was our own company, which is a large baker; Christie's is a large baker; Canada Bread; Brown's; Weston's, Wonder Bakers.

Q. Are you finished with that list?—A. Yes, sir. That list may not include all the large ones. I am not sure.

Q. Did you know at the time what would be the increase in the price of flour?—A. No, sir.

Q. What date was that meeting?—A. I do not know, but I think it was in the first half of September.

Q. And the first increase in bread came on September 18?—A. That is true.

Q. That is true.—A. The increase in the price of flour—pardon me, did I understand you to ask me if we knew what the increase in the flour would be?

Q. Yes.—A. No, we did not know but we could compute or somebody did compute—

Q. The removal of the subsidy?—A. The subsidy content.

Q. What it would mean in the price of flour?—A. Yes.

Q. Your calculations were quite exact?—A. No, they were low.

Q. They were a little low.—A. The price of flour went up by more than the subsidy, I believe.

Q. A little more than the amount of the subsidy. Now, you said that some contended the retail price should be 13 cents and others contended it should be 14 at that meeting?—A. That the price should go up 3 cents or should go up 4 cents, yes, sir, that is correct.

Q. You did not agree at that time on what the increase should be exactly?—A. No, sir.

Q. But in the days that followed that meeting you were informed, if I understood correctly what you said, that other bakers did not want to increase more than 3 cents.—A. That was made evident at that meeting.

Q. That was made evident at that meeting?—A. Yes.

Q. So everybody increased the price 3 cents on or around September 18?—A. Well, we did.

Q. Well, the others too; you know that, do you not?—A. I do not know what date they increased. It would be within—

Q. But it was on or around — —A. It would be within 24 hours.

Q. Then it was a 3 cent rise for everybody?—A. Presumably, yes, sir.

Q. From what you know?—A. I think that some of the bakers were giving a discount to the retail trade based on percentage.

Q. Yes, as you do, but your basis is the purchase of \$100 per month or more.—A. I do not mean that, sir. I mean in our case we cut below the going retail price by 2½ cents. Some other bakers give a discount off retail of 20 per cent.

Q. But the basis was a 3 cent increase?—A. Yes.

By Mr. Pinard:

Q. In fact, Mr. MacDonald, was that compromise not arrived at at the meeting, that the increase would be 3 cents?

Mr. IRVINE: I should like to ask—

The CHAIRMAN: Mr. Pinard's question has not been answered yet.

By Mr. Pinard:

Q. Was that compromise not arrived at by the people who attended the meeting that the increase would be 3 cents?—A. No, sir. As I said before the meeting broke up in complete disagreement with some of the bakers saying they were going to increase by that amount and others saying it was impossible, that it had to be 4 cents, but as I pointed out in reply to other questions because we had that information that the increase was going to be only 3 cents on the part of some bakers that is the increase we put into effect.

Q. But there was no compromise arrived at on that 3 cent increase at all? You did not all of you decide to increase by 3 cents only?—A. No, sir, there was no compromise there.

By Mr. Cleaver:

Q. You told the committee a few minutes ago you knew of two retailers in Toronto who sold below the agreed mark-up.—A. In my first remarks on that I do not think I was quite as specific as that, but I believe that there were two cases of that nature that I was told of.

Q. Right. You also told the committee you did not have personal knowledge of any disciplinary action being taken against those two retailers?—A. Absolutely, that is correct.

Mr. FLEMING: He went further than that.

By Mr. Cleaver:

Q. If any officer or official or servant in your Toronto organization did take disciplinary measures and cut off the source of supply of those two retailers who were offending who would that man be? I should like his name. Who in your firm would have the authority or have the responsibility for that type of action?—A. Responsibility over salesmen?

Q. I put the question to you and I want you to give me an answer if you can. What official in your organization in Toronto would take that disciplinary action if it was taken?—A. Against the retailer?

Q. Yes.—A. None, because it is contrary to our policy.

Q. I believe you answered that to your personal knowledge you did not know of any being taken. Now I am asking you if action were taken and you did not know of it who would be the official in your organization in Toronto who would take that action?—A. Our general sales manager, Mr. B. F. Smith.

By Mr. Pinard:

Q. You say it is contrary to your policy to take action against those who would sell at a lower price than the price marked on the wrapper?—A. That is correct.

Q. Why do you have the price marked on the wrapper at all then?—A. For two reasons; it has been customary to have the price on bread wrappers in the Toronto market, and because many retailers like it as a convenience to have their goods already marked at the price they expect or intend to sell it to the public.

By Mr. Irvine:

Q. I want to go back to the meeting for a moment. I understood you to say this meeting had been called in anticipation of the removal of the subsidies?—A. Yes.

Q. On flour?—A. Yes, sir.

Q. How did you regard that at that time? Were you glad of the removal of the subsidies or were you looking forward to it with fear?—A. No, we did not like it.

Q. Do you think that the price of bread would have gone up as it has had the subsidies not been removed?—A. No, sir.

By Mr. Fleming:

Q. Would it have gone up at all?—A. I believe so, sir.

Q. Can you say how much you think it would have gone up had the subsidy remained in effect?—A. I should say it would have to be a cent, anyway, I think, sir.

Q. If the price went up 3 cents, roughly speaking you would allocate 1 cent to that increase and 2 cents to the removal of the subsidy? Am I right in that, roughly speaking?—A. No, I think it would be more 50-50, roughly 2 cents on flour and 2 cents on other items such as labour.

By Mr. Lesage:

Q. The 2 cents increase on flour was not wholly due to the removal of the subsidy? Part was subsidy and part was increased profit taken by millers, was it not?—A. Of course, I do not know that, but I have been told that the subsidy content in a bag of flour was \$1.82½, I believe, so if you take the yield of a bag of flour as 90 to 92 loaves you have approximately 2 cents.

By Mr. Johnston:

Q. I should like to come back to that meeting again. I am a little interested in it. May I ask the witness if the meeting was in the morning or in the evening?—A. I know it was not in the evening, sir.

Q. Would it be in the afternoon?—A. It probably would be considering the normal operation of office work.

Q. It probably would be.—A. Probably would be in the afternoon.

Q. You are not sure though?—A. Not positive.

Q. It would not be in the morning?—A. It could be. It definitely was not in the evening nor was it a luncheon meeting. You can exclude those two.

The CHAIRMAN: I think that may be an important point. Perhaps this witness has not fully appreciated it. You may want to establish definitely the meeting was in the morning.

By Mr. Johnston:

Q. I think the witness should state to the committee just when that meeting was. Probably it has just skipped his memory at the moment. I am not trying to infer he is evading the question at all, but I should like to know definitely when the meeting was because I think it would have a bearing on the question. For instance, it might have been in the evening where it was a social gathering. Could you make it more definite?—A. I can only say it was not in the evening and it was not a luncheon meeting. That leaves the morning and the afternoon. I really cannot recall now whether it was morning or afternoon.

Q. If the meeting was called for 8 o'clock in the morning you would definitely remember that?—A. I would definitely remember that.

Q. It was not 8 o'clock in the morning?

Mr. IRVINE: You would have to get up for it.

By Mr. Johnston:

Q. If it was a meeting called for 9 o'clock you would know if that was the time?—A. I would recall that.

Q. Or if it were called at 10 o'clock. That is pretty early, too, because we have difficulty getting here.—A. Reasoning that way the most likely time would be the afternoon.

Q. It is a matter of elimination, and I think we could get to the point.—A. That is right.

Mr. LESAGE: It could not be called a Toronto tea party.

Mr. FLEMING: What is a Toronto tea party?

By Mr. Fleming:

Q. Would this help? I do not want to interrupt Mr. Johnston but do you remember how long the meeting lasted?—A. I would say about an hour.

Q. Did you have occasion to make any report to the general manager of the company on the meeting?—A. I did.

Q. Written or oral?—A. Verbal.

Q. The same day or the next day?—A. The same day.

Q. What time do you usually leave your office or does he leave his?—A. Any time between 5.30 and 7; it varies.

By Mr. Johnston:

Q. Can you give us the nature of that report?—A. Yes, I can.

Q. Do that, please.—A. I told him that I hoped I would never have to go to any meeting among bakers again in my life. It was the most disgraceful exhibition among business men I had ever seen in my life.

By Mr. Winters:

Q. Of what?—A. Of name calling.

Mr. HOMUTH: You should be in the House of Commons.

Mr. PINARD: What were the names called?

By Mr. Johnston:

Q. I am interested in this report. Would you go on with that, please?—A. The rest of it would follow along the same line.

Q. What do you mean by following along the same line, name calling?—A. Exactly, that the meeting, as I have said before, certainly arrived at no agreement, and as I have already said I never saw such an exhibition of name calling and threatening—not threatening.

Mr. LESAGE: Threatening.

By Mr. Johnston:

Q. When you say name calling do you mean they were calling each other names or generally applying it to the government?—A. Implying it of one another.

Q. Pardon?—A. Implying it of one another.

Q. I think it would be very safe to say it was not a social gathering?—A. Definitely not.

Mr. MAYHEW: I suppose they were accusing each other of cutting prices?

By Mr. Johnston:

Q. When you went in to the meeting you went in as a stranger; is that true?—A. Yes, sir.

Q. You did not come out exactly as a stranger, not if there was name calling. When you went in did they use your name in introducing you to the others?

—A. Yes, I believe so.

Q. Who would have done that?—A. Another gentleman with whom I went to the meeting.

Q. You went to the meeting with another gentleman?—A. Yes, sir.

Q. Who was that gentleman?—A. He was then in the employ of our company. He is not now.

Q. Who is he? Can you give us his name?—A. Yes, I can. His name is Mr. Kelleher.

Q. Did he know anybody else in the meeting?—A. I presume he did. Yes, he did.

Q. I suppose if it were necessary for the committee to get the other names they could call on Mr. Kelleher and Mr. Kelleher would be able to supply at least some names, would he not?—A. Presumably.

Q. Do you know where he is now?—A. He is working for a bakery in this neighbourhood, I believe.

Q. What is his first name or his initials?—A. J. Leo.

By Mr. Lesage:

Q. Is he in Ottawa?—A. Ottawa or Hull.

Q. Do you know the name of the bakery?—A. No, I do not, sir.

Q. Have you any idea?—A. I would know it if I saw it in a list of bakeries. I think I would recognize it. I do not know it offhand.

By Mr. Pinard:

Q. You do not know where he lives at all?—A. No, sir.

By the Chairman:

Q. He is not in this room?—A. Yes.

Q. He is here now?—A. Yes.

By Mr. Johnston:

Q. What position did he hold in the company?—A. He was the manager of the Toronto plant.

Q. At that time?—A. Yes.

Q. A very important position?

Mr. LESAGE: Before Mr. Kelleher leaves the room, I think it might be important if he is identified so we can call him should we need him.

The CHAIRMAN: Yes. Mr. Arsenaault, you might address yourself to Mr. Kelleher now and get his address and phone number so he can easily be located.

Have you finished your questioning?

By Mr. Johnston:

Q. No, I am not quite through. Do you know whether or not any other meetings were held similar or dissimilar to this type?—A. I understand many were held in other cities or that meetings were held in many other cities.

Q. Was your company represented at those?—A. Not that I know of, sir.

Q. Where there any meetings following this at which your company was represented?—A. Not that I know of, sir.

Q. I suppose the general manager, the person to whom you referred, the one who sent you to the meeting would probably know?—A. Presumably he would. I do not know, sir.

Mr. JOHNSTON: I think that is all.

By Mr. Irvine:

Q. I just wish to ask one question arising out of this matter, Mr. Chairman. In your opinion, Mr. MacDonald, if the bakers had desired to do anything sinister or arrange amongst themselves for some particular increase in price, could they have gone about it in a better way than to have called a meeting to which nobody was invited, for which no time was given and no place was offered, and where nobody knew anybody else, and where they did not know what they were discussing? Would not that have been an excellent way to accomplish the purpose?

The CHAIRMAN: Do you not think we could leave that question and make our own assumptions?

Mr. HOMUTH: If they called each other so many names, they must have known each other a little.

By the Chairman:

Q. I should like to ask, who was the representative of Weston's at that meeting?—A. I do not know, sir.

Q. You do not know who represented Weston's?—A. No, sir.

Q. Do you know who the general manager of Weston's is?—A. No, sir.

Q. You have no knowledge?—A. None whatever.

Q. Who was the representative of Christie's at that meeting?—A. I do not know.

Q. Do you know who the general manager of Christie's is now?—A. No, sir. I know a name, I have heard of the name of Wilson; more than that, I do not know. I do not know whether he is the general manager or not.

Q. Who was the representative of Canada Bread?—A. I do not know that, sir.

Q. Were they represented at that meeting?—A. They are among the larger bakeries there.

Q. Now, you would know?—A. I do not know what company—

Q. You know Canada Bread?—A. Yes.

Q. Were they at that meeting, or did they have a representative?—A. I do not know.

Q. You do not know?—A. No.

Q. Was there a representative of Brown's Bread?—A. I do not know. I presume there was a representative of several of these companies because they are the larger companies.

Q. Was there a representative of Wonder Bakeries there?—A. That, I am sure, I do not know.

Q. You are telling this committee, although you were at this meeting for an hour, you do not know who was at the meeting; you do not know what companies were represented at the meeting?—A. Not specifically, not definitely, sir.

Q. What do you mean by that answer?—A. I mean that the meeting was, as I said before, constituted of the larger bakeries, as I understood them to be, in Toronto. I was not told before I went to the meeting who was to be there or what companies were to be represented. I did not know of the meeting until a few minutes before I left the office.

By Mr. MacInnis:

Q. How many companies were represented?—A. I do not know.

Q. You do not remember?—A. There were about six or seven people there.

Q. Six or seven people?—A. That is right.

Q. Would those six or seven people, in your opinion, be representing an equal number of companies?—A. I would judge so, sir.

Q. How many of them favoured the 13-cent price and how many favoured the 14-cent price?—A. I know that two favoured the 4-cent increase. There were two, we were one and there was one other gentleman who was speaking in favour, apparently, of the 4-cent increase.

Q. Would you know the name of the bakery he represented?—A. No, sir.

Q. So that you were both on the same side?—A. No, sir, but I think I could make a good guess because we are the same type of business.

Q. Being a good guesser in that way, could you guess who were those who favoured the 13 cents?—A. No, sir.

Q. You would not have any idea?—A. No, sir. It was whatever other companies were represented there, as I recall it.

By Mr. Fleming:

Q. May I ask you this: you say you went with Mr. Kelleher to the meeting?—A. That is true.

Q. Did he stay at the meeting?—A. Yes, sir.

Q. He remained at the meeting all the way through?—A. Yes.

Q. As between you and Mr. Kelleher, which was the senior representative of the company?—A. The active representative would be Mr. Kelleher.

Q. Which of the two of you took the more active part in the meeting?—A. I took no active part in it, myself.

Q. You left the meeting, at least participation in the meeting then, to Mr. Kelleher, I gather?—A. Yes, sir.

Q. By the way, when did Mr. Kelleher leave the employ of your company?—A. He left, I think, in November.

Q. Have you seen him since, until today?—A. No, sir.

Q. Have you had any conversation with him?—A. No, sir—I beg your pardon, I phoned him this morning to get information on a question which Mr. Dyde asked me yesterday.

Q. How did you get his telephone number?—A. I had it in my records.

By Mr. Lesage:

Q. Why did you not tell me that a few minutes ago?—A. Did you ask me for his telephone number?

Q. I asked for his address.—A. I did not know you wanted his telephone number.

Mr. JOHNSTON: The witness did say he could identify the business he was in if he had a list of the firms.

By The Chairman:

Q. Why did you not tell us right out that the man was in the room? You told me, in answer to a question I put to you or someone, that he was now sitting in this room. Now, this committee is anxious to get the facts. Why did you not tell us right out he was in this room? Was there any reason for not telling?—A. No, sir, excepting that he is not now with our company. I felt since he is not—

Q. You did know the members of the committee were anxious to find out who was at this meeting and since you were unable to identify the people who were at this meeting you properly would have presumed that Mr. Kelleher might have been a very interesting witness for this committee?—A. That is true, sir.

Q. I am just wondering, in my mind, why you did not tell us quickly Mr. Kelleher was in this room?—A. I have no reason for that except the questions were coming so thick and fast.

Q. No, at that time there was a lull for a few minutes. When I asked you if Mr. Kelleher was in this room, there was a lull—however—

By Mr. Fleming:

Q. Mr. Chairman, may I just continue? You indicated that there was—shall I put it this way, there was a great deal of disharmony at the meeting?—A. Yes, sir.

Q. Now, was this disharmony general on the part of all participants?—A. I would say it was general, sir.

Q. Did it have anything to do with the difference between those, on the one hand, who wanted a larger advance than the others?—A. No, there were other subjects than that discussed.

Q. So, the disharmony cut across all kinds of lines?—A. That is right, sir.

Q. You had not been at such a meeting before?—A. No, sir.

Q. Were you told by the general manager as to whether there had been such a meeting previously?—A. No, sir.

Q. You indicated this was not, in any sense, an association?—A. That is right.

Q. Did your general manager just notify you a few minutes before the meeting to attend the meeting with Mr. Kelleher?—A. That is right, sir.

Q. Did he give you any instructions?—A. No, sir.

Q. What did he say to you?—A. He said, "You might as well go down, Jim, and see what goes on." Those were approximately his words.

Q. Did you know what instructions he gave Mr. Kelleher?—A. No, sir.

Q. What was the position Mr. Kelleher took at the meeting on behalf of your company?—A. In favour of the 4-cent increase.

Q. What was the tenor of the discussion on this matter of price? Did anybody say at all, "Well, the advance we make is a matter for our own decision." Did anybody say that, or was there an attempt on the part of any or all to arrive at some general conclusion as to the price advance?—A. I think my reply to that would be this, that I got the impression it was hoped there would be some agreement as to what the general increase in the mark-up would be.

Q. Was there evidence of a general desire on the part of all to arrive at some common conclusion in that respect, or was it the case of some one or two trying to persuade the others to come to such a conclusion?—A. No, I felt there was among the men there a desire to arrive, if possible, at some mutually agreeable decision.

Q. But then you have indicated they could not arrive at a common basis as to the amount of advance?—A. That is right, sir.

Q. What gave rise to the name-calling?—A. I got the impression that—I do not believe it was on the matter of the price increase, I think it had to with other subjects that were discussed.

Q. Such as what?—A. Discounts, offering restaurants various—

By Mr. Mayhew:

Q. Secret rebates?—A. No, not secret rebates, but perhaps inducements in the way of free bread for a day or so in order to get business, such things as that.

By Mr. Fleming:

Q. Were there accusations of unfair practices in that respect? Was it a case of accusations being made by those different participants against others?—A. Yes. I do not recall exactly what the accusations were, though, sir.

Q. I think you have indicated this was purely a local, Toronto meeting?—A. That is true, sir.

Q. You were only discussing the situation in Toronto?—A. That is true.

Q. Your company has been in existence just three years?—A. Less than two.

Q. You were incorporated in March, 1946—yes, less than two years. Have you been with the company since its incorporation?—A. No, sir.

Q. When did you go into it?—A. The middle of April.

Q. Ten months ago, I think you said?—A. About that.

Q. What was your previous experience in the baking industry?—A. None.

Q. What had you been engaged in before that?—A. I was here, in Ottawa, for about six or seven years.

Q. Not engaged in anything to do with baking at all?—A. No, sir.

Mr. MacINNIS: Might I ask the witness a question arising out of the question asked him by Mr. Fleming as to when he was asked to go to the meeting? He did not say, Mr. MacDonald, "I want you to run down to a meeting". The meeting that he suggested you should attend must have had some purpose and how did he identify the meeting?—A. As far as I can recall he merely said to me "Mr. Kelleher was going to a meeting of some of the Toronto bakers and you might as well go along to see what goes on".

By Mr. Winters:

Q. When you reported back did you report back in company with Mr. Kelleher?—A. I do not recall whether we came back to the general office together.

Q. Did you report to the general manager together?—A. I do not believe so.

Q. When reporting to the general manager would he not ask you for the attitude of each representative there or each company that was represented? Surely that is something anybody would expect.—A. He did but I was not able to tell him, sir. I was not able to tell him the attitude of each individual person. I described the appearance of a couple of the men to him.

Q. Did he give you any leads as to who they might represent?—A. No.

Q. Did he seem satisfied with your report?—A. Yes.

By the Chairman:

Q. Is there anyone in this room today that was at the meeting besides yourself and Mr. Kelleher?—A. Not that I have seen, sir.

Q. Well, is there?—A. I do not believe so, sir.

By Mr. MacInnis:

Q. May I ask another question? Did the general manager say what the meeting would be discussing or that they would be discussing the price of bread?—A. I do not believe that he did. I do not recall that he did.

Q. And did he give you any instructions as to what your attitude should be?—A. No.

Q. You were representing your company and he did not give you any instructions as to what your attitude on the question of price should be? Did he say the question of price would be discussed?—A. No, sir.

Mr. PINARD: And you do not know how he had been informed of the meeting at all?

The WITNESS: By telephone, but from whom I do not know.

By Mr. MacInnis:

Q. Then when you took the position the price should be 14 cents a loaf you decided that for yourself? You had no prior instructions as to that price?—A. I took no position at the meeting.

Q. Did Mr. Kelleher take any position?—A. I believe he took the position of suggesting or recommending that we would require an increase of 4 cents.

Q. Do you know if the general manager instructed him as to the attitude?—A. We had discussed the question in the company as to what increase we would require when and if the ceiling on bread was lifted and the subsidy

removed, and we had come to our own conclusion in discussing it that we would need 4 cents.

The CHAIRMAN: I would like to interrupt for just a moment. I have been talking to counsel and I wonder if the committee would agree to call on Mr. Kelleher right now.

Mr. FLEMING: There are several questions I have of this witness.

The CHAIRMAN: We will not be through with this witness but I think Mr. Kelleher is right here now.

Mr. FLEMING: I have two or three more questions.

Mr. CLEAVER: Many of us have questions.

The CHAIRMAN: May we just call Mr. Kelleher?

Mr. FLEMING: Before Mr. MacDonald goes there is one answer he made to Mr. MacInnis that I would like him to clear up. He said at that meeting Mr. Kelleher suggested a price of 14 cents and I want to know whether Mr. Kelleher was suggesting the other companies should charge 14 cents?

Mr. PINARD: We will get that from Mr. Kelleher.

Mr. FLEMING: But we want to get it from this man.

Mr. LESAGE: Then Mr. Kelleher should be out of the room while this witness answers the question.

Mr. WINTERS: That is fair enough.

The CHAIRMAN: Mr. Kelleher, would you mind just stepping out of this room for one or two minutes?

Mr. IRVINE: But do not run away.

The CHAIRMAN: All right.

Mr. FLEMING: Mr. MacDonald, you used the word "suggest" as applied to something Mr. Kelleher said at that meeting. I think you said something to this effect, that he suggested a price of 14 cents. That was in reply to a question just asked a moment ago by Mr. MacInnis. What I want you to tell the committee is whether he was suggesting a price of 14 cents for all companies present at the meeting?

The WITNESS: He was suggesting we required an increase to 14 cents.

Mr. CLEAVER: Or that all companies should charge that?

Mr. FLEMING: Did he go on and suggest the others should advance their prices?

The WITNESS: I do not believe he did.

Mr. HARKNESS: I have one question I think I should ask before Mr. Kelleher comes. Was there any discussion in that meeting in regard to the price of your Richmello brand and similar brands of breads made by other people; as to what price they should be?

The WITNESS: No sir.

The CHAIRMAN: May we call Mr. Kelleher now?

Agreed.

Mr. LESAGE: I think we should leave Mr. Kelleher to counsel first.

Mr. DYDE: I will be glad to initiate the questions.

Mr. LESAGE: You can do a little more than that.

Mr. FLEMING: We can see as we go along.

The CHAIRMAN: Mr. Kelleher, you are a welcome and unexpected visitor.

Mr. KELLEHER: Very unexpected as far as I am concerned.

Mr. PINARD: Would it be proper to have the other witness heard?

Mr. FLEMING: Well, he is finished for the moment.

Joseph Leo Kelleher, Manager, Regal Bakery, Hull, sworn:

Mr. WINTERS: What is the oath, I have not heard it yet?

The CHAIRMAN: You swear to tell the truth, the whole truth and nothing but the truth, so help you God?

By Mr. Dyde:

Q. Your full name, please?—A. Joseph Leo Kelleher.

Q. Your address?—A. 8 Belleville Rd., Toronto, Ont.

Q. And your occupation?—A. Manager of Regal Bakery, Hull.

Q. Are you in Hull most of the time?—A. Yes.

Q. Now?—A. Yes.

Q. You were formerly in the employ of General Bakeries Limited?—A. That is correct.

Q. When did you leave their employment?—A. I think it was the 30th of October, the end of October.

Q. While you were in the employ of General Bakeries what was your post?—A. Manager of the Toronto plant.

Q. And you were manager of the Toronto plant in the month of September, 1947?—A. Yes, I was.

Q. And in the month of September 1947 you were in attendance at a meeting at which there were other bakeries represented in the city of Toronto?—A. Yes, I was in attendance in a group. I would not care to say it was a meeting it was more or less a discussion group.

Q. Would you please tell the committee how you happened to get there?—A. Yes, the general manager of General Bakeries advised me some of the bakers were meeting and I should go along.

Q. And the general manager of General Bakeries is Mr. Wright?—A. That is correct.

Q. And was there anything said to you about Mr. MacDonald at that conversation with Mr. Wright?—A. Yes, Mr. Wright said that he felt that Mr. MacDonald should come along too.

Q. Did you then get in touch with Mr. MacDonald?—A. We were in the same office.

Q. Well, yes, but I mean did you tell him that you and he were going to a meeting?—A. No, I do not think so, I believe Mr. Wright handled that.

Q. And do you recall what time of the day it was when you had your conversation with Mr. Wright?—A. I believe it was in the afternoon?

Q. And do you know what date?—A. No, I have no idea.

Q. Would you agree that it was in the first half of September 1947?—A. I frankly have not the slightest idea. I left General Bakeries and I have not even thought about that since and I do not know.

Q. Mr. MacDonald has said it was in the first half of September?—A. I would accept that.

Q. Yes, and from your office you went to the King Edward Hotel?—A. Right.

Q. How did you go, by car?—A. Yes, I drove.

Q. Was it your own car?—A. The company's car.

Q. Mr. MacDonald was with you?—A. Yes sir, that is right.

Q. And on arrival at the King Edward Hotel did you go to a particular room?—A. Yes we did.

Q. Do you know the number?—A. No, I do not.

Q. Do you know how you found the room?—A. Mr. Wright had given me the number.

Q. You had the number at that time?—A. Yes.

Q. You have forgotten since?—A. Yes, I have no idea.

Q. Do you know whose room it was?—A. No, I do not.

Q. When you got in the room can you say how many people were in the room?—A. I would say six or seven, maybe.

Q. And you knew them all?—A. Yes, I did.

Q. By name?—A. Yes.

Q. And did you introduce Mr. MacDonald to those gentlemen?—A. Yes, I did.

Q. And who were in the room?—A. Representatives of the other baking companies in Toronto.

Mr. PINARD: Would you speak louder?

Mr. LESAGE: Yes, speak up a bit.

Mr. DYDE: Would you tell us who they were by name and who they represent?

The WITNESS: Yes, but subject to error. There was Mr. Wilson, of Christie's.

Mr. DYDE: Yes.

Mr. LESAGE: What is his post at Christie's?

The WITNESS: I believe he is the president, but I do not know what position he had then; he may have been general manager.

Mr. LESAGE: Do you know his initials?

The WITNESS: D., Daniel is his first name; Dan Wilson.

By Mr. Dyde:

Q. Very well, go on.—A. Mr. Cliff Cotter of Brown's.

Mr. JOHNSTON: What was that name?

The WITNESS: Cliff Cotter, and I am not sure of his title.

Mr. DYDE: All right, next.

The WITNESS: There was Mr. Dutton of Consolidated.

Mr. JOHNSTON: I did not hear that.

Mr. DYDE: Mr. Dutton. Do you know his initials?

The WITNESS: Tom is his first name.

Mr. CLEAVER: And his position in the company?

Mr. LESAGE: His office?

Mr. DYDE: Do you know his office with Consolidated Bakeries?

The WITNESS: No, I do not.

Mr. LESAGE: Is he an ordinary employee or something like a manager?

The WITNESS: He would be in a managerial capacity. Then there was Mr. Dempster of Dempster's Bread.

Mr. PINARD: Is he the chairman?

By Mr. Dyde:

Q. Do you know his office?—A. I believe probably he is the owner.

Q. Do you know his first name?—A. Neil or Neilson, I am not sure which. There was Mr. Harold Manning of Weston's.

Mr. JOHNSTON: Again?

Mr. DYDE: Harold Manning of Weston's.

By Mr. Dyde:

Q. Do you know his office with Weston's?—A. No I do not.

Q. Was Wonder Bakeries represented?—A. Yes, I mentioned Mr. Dutton.

Q. I thought he was for Consolidated or is that the same?—A. That is my understanding. I do not know, I may be wrong.

Q. Were any others there? Was Canada Bread represented?—A. Yes, they were there. I think the gentleman's name is Antliff.

Mr. LESAGE: Could you ask the witness to speak up a bit?

The CHAIRMAN: Kindly speak a little louder?

By Mr. Dyde:

Q. It was Antliff? A-N-T-L-I-F-F. Is my spelling correct?—A. I cannot tell you that.

Q. Do you know his first name?—A. No I do not.

Q. Are you on first name terms—

Mr. CLEAVER: What is his position in the company?

Mr. DYDE: What was that?

Mr. CLEAVER: What is his position in the company?

By Mr. Dyde:

Q. Do you know his position?—A. He is an officer of the company but I do not know his position.

Q. Are you on first name terms with these gentlemen?—A. No.

Q. You just know their names?—A. I just know their names.

Q. Were there others there besides the ones you have mentioned?—A. May I see the list?

Q. Would there be more than one person representing any of these other bakeries?—A. No, I think in our case there were two of us but we were the only two from any one company.

By Mr. Pinard:

Q. Did you give the name of the representative of Harrison Brothers in that list?—A. They are not in Toronto.

Q. But is it the same thing as Wonder Bakeries?—A. No.

Q. Are you sure?—A. Unless there has been a recent change I would say I was sure.

Mr. LESAGE: You do not know if there is any parentage?

The WITNESS: No.

Mr. PINARD: In the Montreal telephone book if you look up Harrison Brothers you will see Wonder Bakeries.

The CHAIRMAN: Well, may we get on with what took place at this meeting?

By Mr. Dyde:

Q. Was there anyone there at the meeting who appeared to be taking charge of the meeting?—A. No, I would say the meeting was an informal meeting. The news had come over that subsidies were about to be removed and I think the idea was "How does it affect your business?"

Q. And will you tell the committee, please, what your attitude was which you took at that meeting with regard to the problems that were discussed and the discussions with regard to the price of bread?—A. We discussed the cost of operation, and I think particularly the effect removal of the subsidy on flour would have on the baking industry.

Q. And you finally came down to a discussion of the price of bread, did you not, Mr. Kelleher?—A. I do not believe there was any real discussion on the

price of bread but how it would effect your business. In our case I know that with the flour subsidies coming off ceiling we knew that we would have to get something more for bread and that we would have to increase our price.

Q. Yes, but what I am asking you definitely is, did you not at some time while you were in that room discuss the price at which bread should be sold?—A. I know that I, myself, wanted to increase the price of bread in our case; everybody else obviously had to do the same thing, but there was no general discussion on what the price was to be.

Q. Did you tell the other people in the room what price you thought bread ought to be?—A. Yes. As far as I was concerned bread ought to be 15 cents.

Q. At that meeting that day?—A. Yes.

Q. Did you get called any names for saying that?—A. Well, I do not know that I was called any names for saying that.

Q. Did anyone take exception to that?—A. Well, some people apparently thought—

Mr. CLEAVER: Just speak up, please.

By Mr. Dyde:

Q. Would you speak louder, please? Did anyone take exception to your suggesting 15 cents?—A. I would not say that anybody took exception to it, no.

Q. Did they agree to adopt that as a price?—A. No, because there was no question of that; it was merely an expression of opinion as to what the price of bread should be as far as our operations were concerned.

Q. And did the others give an expression of opinion as to what the price of bread ought to be?—A. I think that people did mention very definitely that as far as their operations were concerned they would have to secure a price increase of $2\frac{1}{2}$, 3 or 4 cents.

Q. And do you recall the attitude, for instance, that was taken by Mr. Wilson, of Christie's; did he say what the price should be?—A. I would not attempt to quote anybody now. It is going back some time and I have not given any great thought to it at all.

Q. Do you recall anybody except yourself mentioning the price at which bread should be sold?—A. I just can't name anybody in connection with any price because for one thing I found—

Q. Did anybody mention price, to your recollection?—A. The talk was more on costs than on prices as such.

Q. And I take it that costs were related in your mind to price because you were thinking of a 15-cent price?—A. That is right.

Q. Now, the others must have expressed an opinion as to what the price should be, the others must have expressed their opinion as to what the price should be; is that not correct?—A. That would be correct, yes.

Q. And you say now that you cannot remember what each individual said that that price should be?—A. No.

Q. But you surely can remember that the others did say that the price should be something?—A. Yes, yes.

Q. And all the gentlemen in the room expressed their view on that point, did they not?—A. I think probably that would be so.

Q. Was there anybody in the room who was taking minutes of the meeting?—A. No.

Q. Was there any person in the room who acted even informally as chairman?—A. No.

Q. Was any vote or other common action taken by those present in the room?—A. No.

By the Chairman:

Q. Were you at a meeting the next day?—A. I do not believe there was a meeting the next day, sir. I do not know, I may be wrong on that.

Q. You were at a subsequent meeting, were you; with the same group?—A. I do not believe I was. I do not think there was a subsequent meeting but I would not like to state that definitely.

Q. You would not say there was not?—A. No.

Q. When you introduced Mr. MacDonald to the group you identified the persons to whom he was introduced and the companies they represented as well as the company he represented?—A. You mean, to them?

Q. No, to Mr. MacDonald.—A. I might have done that, quite possibly.

Q. And nobody had any doubt as to who was in that room?—A. No.

Q. And did you report back to your principals?—A. Yes, I reported to the general manager that I had been at the meeting.

Q. What did you report?—A. I reported that nobody seemed to be able to make up their minds as to what the effect of the removal of the subsidy on flour would be.

Q. What did you report as to price?—A. Price; I did not report anything on price. There was no question as to what the price was going to be.

Q. You knew that some were going to charge 13 cents and some 14 cents?—A. No. I knew that some were thinking in those terms, but certainly I did not know what any of them were going to do.

Q. You reported that, didn't you?—A. Yes.

Q. What did your vice-president and general manager say?—A. He had no comment other than, we will just have to see what the subsidy removal effect will be on the operations.

Mr. LESAGE: See what the others did?

The WITNESS: I don't believe so, because I do not think that entered into it at all.

By Mr. Pinard:

Q. Is it not normal that it would sooner or later?—A. No, I do not think so.

Q. Do you mean to say that the price fixed by the other bakers did not interest you?—A. There was no price fixed. There was a discussion on cost.

Q. And the price was finalized?—A. No, I do not think so.

Mr. WINTERS: What is the occasion for name-calling in that meeting? I do not see anything people would get excited about.

The WITNESS: Name-calling—Mr. MacDonald I think was comparatively new in the baking industry and bakers have an affectionate way of addressing each other without meaning any ill will.

Mr. MACINNIS: Just using endearing terms.

Mr. WINTERS: Did you think there was ill will at the meeting?

The WITNESS: I do not think there was any ill will. That people go—

Mr. JOHNSTON: Calling each others names.

The WITNESS: Without meaning anything deep down.

By Mr. Fleming:

Q. Mr. Kelleher, was there any attempt on the part of anyone at that meeting to persuade any other company through its representatives to advance the cost of bread to any particular amount?—A. No, I would not say that. The average individual, like myself, merely expressed his opinion and what he would be obliged to do.

Q. Had there been other meetings of this group beforehand which you had attended?—A. No. There is the Ontario Association of Bakers which meets regularly, that is the regular association.

Q. Do we take it then that this was the first meeting of this group of companies to your experience in Toronto?—A. Yes, I would say so.

Q. How long were you in Toronto?—A. I was in Toronto from June of 1946, I think it was, until October of 1947.

Q. Did you hold the same position throughout that period?—A. During that time, yes.

By the Chairman:

Q. What was that position?—A. Manager.

Q. Manager of the plant?—A. Yes.

Mr. FLEMING: So we could take it if there had been any such meeting of these companies affecting the Toronto area you would in all probability have had information of it?—A. Oh, yes.

The CHAIRMAN: Let us ask, if he had information.

The WITNESS: The association has regular meetings.

The CHAIRMAN: The proper question would be, have you any information; whether he would be given this information.

By Mr. Fleming:

Q. He said he did not know of any other. He said there were not any other meetings of this group to his knowledge. Now, have you knowledge of group meetings during your period there?—A. Oh yes, the Ontario Bakers Association meets regularly.

Q. Speaking of this group, the Toronto bakers?—A. Well, the Toronto bakers are all in the association.

Q. Then I would take it that this was the same group as you represented in the Ontario Association?—A. These would be the people who are in that association.

Q. Is there any other Ontario association?

Mr. LESAGE: Mr. Chairman, it is already 6 o'clock and I do not think Mr. Kelleher will be here in the morning. I had a few questions.

Mr. FLEMING: I am not through, do you mind? I have just a couple more here to finish up on this.

By Mr. Fleming:

Q. You left the company in November, was it?—A. In October.

Q. Is there any reason why we should not ask a reason for your leaving?—

A. No. It was a mutual agreement. I sought another position.

Q. Did you make any written report to Mr. Wright on that meeting?—

A. No.

Q. Have you made an oral report?—A. Yes.

Q. Was Mr. MacDonald present when you made the report to Mr. Wright?—

A. That is difficult to answer. I assume that he would be.

Q. Were you present when Mr. MacDonald made his report?—A. I believe that it was the following morning. I am not sure whether it was or not.

Q. Will you try and recall whether you heard Mr. MacDonald tell Mr. Wright at any time what he has told us about his impression of the meeting of the committee?—A. Well, I remember Mr. MacDonald mentioning the name-calling and so on, that he was rather surprised.

The CHAIRMAN: Will you take a long time, Mr. Lesage?

Mr. LESAGE: I do not know. I may have to take a little time.

The CHAIRMAN: Mr. Kelleher, can you be here tomorrow morning?

The WITNESS: Yes, sir.

The CHAIRMAN: Mr. MacDonald too.

The committee adjourned at 6.04 o'clock p.m. to meet again tomorrow, February 26, 1948 at 11 o'clock a.m.



Gov. Doc
Can
P

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12

THURSDAY, FEBRUARY 26, 1948

WITNESSES:

- Mr. J. Leo Kelleher, Manager, Regal Bakery, Inc., Hull, Que.
Mr. James M. MacDonald, Secretary Treasurer, General Bakeries Limited,
Toronto.
Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board.



OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY

1948

MINUTES OF PROCEEDINGS

THURSDAY, February 26, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Cleaver, Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Mayhew, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. J. Leo Kelleher, Manager, Regal Bakery, Hull, Que., was recalled and further examined.

Witness retired.

Mr. James M. MacDonald, Secretary-Treasurer, General Bakeries Limited, Toronto, was recalled and further examined.

He filed,—

Exhibit No. 23—Copy of General Bakeries Limited First Annual Report for fiscal year ending April 2, 1947.

At 1.00 p.m. witness retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Cleaver, Fleming, Harkness, Irvine, Johnston, MacInnis, Martin, Mayhew, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

At the request of Mr. Cleaver, it was agreed that the following corrections be made in the printed record, viz.:—

Page 449, line 3 of 9th paragraph, for the word "included" substitute the word "excluded".

Page 466, last line of 9th paragraph, for the word "voted" substitute the word "added".

Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board, was recalled and further examined.

He filed,—

Exhibit No. 24—Copy of Wartime Prices and Trade Board Press Release C-613 relating to Bread Prices, dated Ottawa, September 18.

The question having arisen as to the propriety of the witness producing memoranda from officers in the Department to their superiors, Mr. Fleming moved,—

That the Committee require the production by the Chairman of the Wartime Prices and Trade Board, of all reports and memoranda on his file concerning meetings of officials of the Board with persons interested in bread, such meetings having to do with the price of bread, and having been held at or around the time of the removal of the subsidy on flour in September last.

Motion carried, on division.

Witness filed,—

Exhibit No. 25—Letter, marked “confidential”, dated September 17, 1947, from C. M. Ruttan, Administrator, Bread and Bakery products, to K. W. Taylor, Chairman, W.P.T.B., with attached statement dated September 16, 1947, entitled “Meeting of Ontario Bakers”, and letter dated September 18, 1947, from K. W. Taylor to Col. C. M. Ruttan.

At 6.05 p.m. witness retired and the Committee adjourned until Friday, February 27, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
FEBRUARY 26, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: I think we were still questioning Mr. Kelleher, Mr. Dyde.

Joseph Leo Kelleher, Manager, Regal Bakery, Hull, recalled.

By Mr. Dyde:

Q. Yes, Mr. Chairman. Mr. Kelleher, yesterday you gave the committee the names of a number of persons who were at a meeting in the King Edward Hotel in Toronto. I want to ask you this morning if you have exhausted your memory with regard to the persons who were there?—A. Yes, I have.

Q. So far as you recall no one else, other than those mentioned by you, was at the meeting?—A. No, I think I recall it now, the bakery administrator, Colonel Ruttan, was at the meeting.

Q. Do you know his official title?—A. I believe he was bakery administrator for the government in Toronto.

Q. Are you now saying he was at that meeting?—A. To the best of my knowledge he was.

Q. I went over the names of the persons with you here at the meeting yesterday very carefully. I gave you plenty of opportunity. How is it that you can remember Colonel Ruttan was there?—A. Well, yesterday I was called as a witness out of a clear blue sky. I had no particular reason to remember any meeting in particular, especially one which took place in September. I had not thought anything about the meeting since, up to the time I was questioned at this committee meeting.

Q. Have you been speaking to anybody since yesterday's session who reminded you of this?—A. Yes, after the meeting yesterday, one of the members in the room asked me if Colonel Ruttan was not at the meeting. I said, "He certainly was".

Q. Who was it who asked you that?—A. Mr. Williston, I think.

By the Chairman:

Q. Who is Mr. Williston?—A. Mr. Williston is a bakery gentleman in Toronto.

Q. Representing what company?—A. Wonder Bread.

Mr. FLEMING: Just for the record, Mr. Williston is counsel to the Consolidated Bakeries.

The CHAIRMAN: Mr. Fleming tells me he is a solicitor for the company.

Mr. IRVINE: Mr. Williston is a solicitor?

The CHAIRMAN: Yes.

Mr. FLEMING: He has been here for a few days waiting for his client to be eached in evidence.

By Mr. Winters:

Q. Was Mr. Williston at that meeting?—A. Oh, no.

By Mr. Dyde:

Q. Mr. Kelleher, was there anyone else at the meeting?—A. To the best of my knowledge, no, I do not believe there was.

Q. You have thought it over carefully? You are sure?—A. Reasonably sure; as I say, I had no particular reason to place that meeting as against any other meeting in my mind. I believe the names I have given are true.

Q. Then, would you also answer this question. Were there, to your knowledge, previous meetings of the same or a similar group?—A. Yes, the Ontario Bakers Association is often meeting.

Q. Was this a meeting of the Ontario Bakers Association in the King Edward Hotel?—A. I would not know that. They were all members, I would say, of the Ontario Bakers Association.

Q. You are suggesting there were earlier meetings of the Ontario Bakers Association. Are you sure that this was or was not a meeting of the association?—A. Frankly, I would not be in a position to say. I was merely asked to attend a meeting of the bakers. What it was, exactly, I would not know.

Q. Were there previous meetings at which you were in attendance in Toronto where there was a discussion as to the price of bread?—A. There were plenty of discussions regarding the cost of bread, as I tried to explain. I am thinking in terms of cost, not prices.

Q. Was the price of bread—I want you to be quite clear about this—was the price of bread discussed at the meeting in Toronto in the King Edward Hotel to which we have had reference?—A. The cost of bread, as against the removal of the subsidy, and the increased price of other ingredients and the decontrol of the industry were paramountly discussed. It was the matter of costs that were under discussion.

Q. And not the matter of price?—A. I would say price is incidental. Naturally, the chief matter was the effect on the industry of the removal of the subsidy.

Q. Price was discussed to some extent because you told us yesterday something about your feeling being 15 cents was the proper price?—A. That is my idea of the price of a loaf of bread.

Q. You expressed it at that meeting?—A. I probably did. I have often expressed it to people. When anybody asks me what I think a reasonable price for bakers bread should be, I always say 15 cents; that is my belief.

Q. You expressed that at the meeting?—A. I probably did, I do not know.

Q. Was there any discussion either before or after that as to price?—A. Prices, as such, were not under discussion. It was the removal of the subsidy and its effect on the industry which was being discussed.

Q. I know. You told me that, but I put it to you when you mentioned 15 cents as being the price of bread, did that not create a discussion?—A. No, I definitely do not think it caused any notice at all.

Q. Was there any discussion of price, in your recollection, in which Colonel Ruttan joined or made any remark?—A. No, the discussion with the Colonel was entirely on the removal of the subsidy and the effect of higher costs, the decontrol of the industry. The Colonel—I hate to paraphrase other people without being able to be sure of myself, but as I recall the Colonel's remarks, they were to the effect that subsidies had been removed. I think it was the previous day the government announcement came through. The bakers wanted to know what effect that had upon their industry. The Colonel told us that the government recognized that the removal of the subsidy would represent about 2 cents a loaf. I think he also said the government also recognized that increased costs of materials would, perhaps, cover another cent a loaf.

I believe it was Mr. Taylor, he said, who is one of the government officials, felt that the bakers should be reasonable and not take advantage of the situation and not take more than the 3 cents.

Q. Now, Mr. Kelleher, I make an allowance for your having been called to the stand yesterday in a hurry, but yesterday you did not remember that Colonel Ruttan was at the meeting. Do you realize that now you are able to clearly remember comments that Colonel Ruttan made at the meeting?—A. Yes, I do.

Q. Why did you not tell the committee that yesterday?—A. Because, as I say, I was taken completely by surprise. I had no reason to remember one meeting against another. I certainly attached no significance to any meeting.

Mr. IRVINE: I do not like to butt in here, but I should like to know who Colonel Ruttan is. What is his profession and what was his function either there or elsewhere?

Mr. DYDE: I am informed, Mr. Irvine, that Colonel Ruttan at that time was the administrator of bread and bakery products for the Wartime Prices and Trade Board.

By Mr. Winters:

Q. Could the witness now remember the date of that meeting?—A. No, I am afraid I have not any idea. I know it was just after the subsidies were removed. I think the announcement came on a Saturday or a Sunday, as usually happened, and the meeting was on Monday—I think it was the following Monday, the following day, to find out what effect that removal had and what were the government's intentions.

By Mr. Dyde:

Q. I want you to remember the meetings that took place previous to that at which you were in attendance. Can you recall ever having been in attendance at a meeting of bakery representatives in Toronto or elsewhere at which the subject of prices was discussed?—A. Not on any official basis, no.

Q. On any basis?—A. I do not think so, no. Because bakers meetings are not on prices at all.

Q. Were there meetings which discussed cost?—A. Quite definitely; costs are often referred to at meetings, yes.

Q. Were there such meetings?—A. Yes, I would say there were.

Q. Do you recall when they took place?—A. No, I have not any idea.

Q. Would it be previous to the meeting we have been discussing?—A. Yes, would; definitely, yes.

Q. Was Colonel Ruttan at any of those meetings?—A. Yes, the Colonel was often there to give the bakers an expression of government opinion.

Q. Can you recall how many meetings of that kind you were at?—A. Whenever the regular meetings were of the bakers' association. I attended many of them when the general manager was not able to be present, he usually asked me to go down.

Q. Who called the meetings?—A. Frankly, I would not know. I presume the bakers' association would call them.

Q. If you do not know, perhaps you had better not try to tell the committee. I thought you might know.—A. No.

Mr. DYDE: I think I will stop there.

By The Chairman:

Q. I should like to ask you a question. When did you last have a chat with Mr. MacDonald?—A. Just before this meeting started I had a chat with him.

Q. This morning?—A. Yes.

Q. When did you have a talk with him before?—A. The previous time was yesterday morning when he 'phoned me to tell me he would be on the witness stand, the public was admitted and it might be interesting for me to drop over and hear what was said.

Q. When did you talk with him before that?—A. It would be the end of October when I left General Bakeries.

By Mr Lesage:

Q. When we adjourned last night, I said I had a few questions to ask. I should like to read to you a question which was put to Mr. MacDonald and the answer made by Mr. MacDonald yesterday. I should like you to tell the committee if you agree with this. This is a question by Mr. MacInnis, speaking about the meeting to which you were referring at the King Edward Hotel, and speaking of the bakers:

Q. How many of them favoured the 13-cent price and how many favoured the 14-cent price?—A. I know that two favoured the four-cent increase.

Do you agree with that answer?—A. I have no recollection of any such situation arising. Possibly I would say that people thought that their costs were affected to the extent of two, three, four or five cents.

Q. But 13 or 14 cents a loaf?—A. I have no recollection of that.

Q. I will refresh your memory here with Mr. MacDonald's testimony Mr. MacDonald said:

I said the price was 13 cents rather than 14 cents afterwards, so there was complete disagreement among the bakers as to whether the price should go up three cents or four cents.

That was at the meeting; have you any recollection of that?—A. I have recollection of the Colonel telling the meeting that the government recognize there was about a three-cent increase in costs there. I know some expressed an opinion that the increase in cost was more than that. Personally, I believe it was, too. That was the basis of the discussion, whether the government idea of the increased costs coincided with the actual facts in the baking industry.

Q. There was no doubt in your mind at that time any increase in cost would be reflected in an increase in price as soon as the subsidy went off?—A. The subsidy was off the previous day.

Q. But as soon as the effect of the removal of the subsidy?—A. As soon as it was established.

Q. There was no doubt in your mind about that?—A. No, it was a matter of arithmetic.

Q. I assume there would be no doubt in the mind of everyone who was there?—A. I assume you would be correct.

Q. So what Mr. MacDonald said:

So far as we were concerned the information given to us was that other bakers were going to sell at 13 cents, and that is why we sold at an increase of three cents.

That is correct, too?—A. The fact that others had sold at three cents?

Q. You sold at three cents?—A. Well, I do not think, I do not know, whether that is correct. If I remember rightly General Bakeries went up after the others in the price of bread.

Q. Yes, maybe twenty-four hours after.—A. Yes.

Q. Twenty-four hours or less.—A. I think so, yes.

Q. When you say the others increased their price three cents you did increase them three cents?—A. Yes, that is correct.

Q. That is what happened?—A. Yes.

Q. You could not agree at the meeting on three or four cents—A. In the cost, yes.

Q. But in the reflection of cost on price?—A. Yes.

Q. That is correct?—A. Yes, the reflection of cost.

Q. Yes, so you just waited, General Bakeries waited?—A. Yes. I believe that is what happened.

Q. And when the others increased their price three cents you did increase the price?—A. We put up the price after.

Q. That is what happened?—A. I think so.

Q. And at that meeting Colonel Ruttan informed you subsidies had been taken off?—A. Yes.

Q. And you had been complaining for some time that the price set by the Wartime Prices and Trade Board was not sufficient to cover your cost?—A. That is correct, yes.

Q. That is correct?—A. Yes.

Q. And Colonel Ruttan told you you would not have to bother about that question because the control was off?—A. That is right, yes.

Q. And that is when you discussed among yourselves the increased cost for production?—A. Yes.

Q. That is right?—A. Yes.

Q. And the reflection would have been an increased cost and increased prices?—A. The reflection of increased cost was eventually on price.

Q. There was no doubt in your mind or the minds of anyone at the meeting that the increased cost would be reflected in an increase in prices?—A. That was obvious to us.

Q. Now you left the employ of General Bakeries at the end of October?—A. Right.

Q. And you came to Hull as manager of Regal Bakery?—A. That is right.

Q. Who is the owner of Regal Bakery?—A. Regal Bakery is an incorporated company.

Q. How many shareholders?—A. Frankly I do not know.

Q. Who are the most important shareholders?—A. I would not know that either.

Q. Who is president of the company?—A. I am president of the company.

Q. You are president of the company?—A. Yes.

Q. How many shares are there?—A. I have one share.

Q. You have one share?—A. Yes.

Q. Has anyone control over the shares, over 51 or more per cent of them?—A. I am not in a position to answer that.

Q. Do you want to tell me that you are the general manager and president of Regal Bakery and you cannot tell me who are the principal owners of the shares?—A. Mr. Chairman, do my private affairs have to be answered at this meeting.

Q. I think I am going directly to something that I cannot divulge at this moment and I submit this question is important. The disclosure of whoever are the shareholders of the company cannot be of any bad consequence to the company.—A. May I say a word, Mr. Chairman.

The CHAIRMAN: I cannot see anything wrong with the question at this stage.

The WITNESS: The question that is under discussion is a meeting in Toronto.

The CHAIRMAN: No, but you will remember that this committee is trying to find why there was a rise in the cost of prices and the suggestion has been made pretty strongly that the eastern bakeries, if not directly in combine, were pretty well agreed as to the fixing of a price. Now questions may be related to that fact and I do not think that Mr. Lesage's question is an improper one.

The WITNESS: The company is incorporated under the laws of the province of Quebec and it certainly seems to me any information on the company could be obtained—

Mr. LESAGE: Mr. Chairman, I ask that the witness be ordered to answer?

The CHAIRMAN: Proceed, and if I think you are going too far I will stop you.

By Mr. Lesage:

Q. Will you tell me who are the principal shareholders in the company?—A. The principal shareholder is Glenora Securities.

Q. Who?—A. Glenora Securities.

Q. Glenora Securities, and what percentage of the securities do they hold?—A. They would hold most of the shares.

Q. And they are trustees?—A. I do not understand the question.

Q. Are they trustees?—A. I do not understand the question so I cannot answer it.

Q. For whom do they own the shares?—A. I could not answer that question either, I do not know.

Mr. PINARD: Who represents Glenora Securities at the meetings of the shareholders?

The WITNESS: So far we have not had a meeting.

Mr. PINARD: Well who is or who are Glenora Securities?

The WITNESS: I do not know, I have no idea who Glenora Securities are.

By Mr. Lesage:

Q. Who offered you your job as manager of Regal Bakery?—A. As manager of Regal Bakery?

Q. Yes.—A. I was offered the job by Mr. Rae in Montreal.

Q. Mr. Rae in Montreal?—A. Yes.

Q. Who is Mr. Rae?—A. Mr. Rae—

Mr. PINARD: Is he in the baking industry?

The WITNESS: No, he is not.

By Mr. Lesage:

Q. Is he a shareholder or director of General Bakeries Limited?—A. Yes, he is a director.

Q. He is a director of General Bakeries Limited?—A. Oh, excuse me, you said General Bakeries?

Q. Yes?—A. No, he has nothing to do with General Bakeries.

Q. He has nothing to do with General Bakeries, no connection?—A. No, none whatsoever.

Q. Has he any connection with any other bakery other than Regal Bakery to your knowledge?—A. I cannot answer as to the others.

Q. From whom was Regal Bakery bought?—A. From whom was Regal Bakery bought?

Q. Yes?—A. Regal Bakery was bought,—frankly it is too complicated for me. I believe to get that information you should look at the files.

Q. Well you are president and general manager of the company, Mr. Kelleher; if you cannot answer my questions I do not know who will answer them?—A. It seems to me the documents of sale are the ones—I have been with Regal Bakery since November.

Q. Do you have the documents of sale with you?—A. No I have not, I have not got them.

Q. Do you have them at the office?—A. No I have not.

Q. Where can we find them?—A. Mr. Rae could give you them.

Mr. PINARD: Does he hold the books of the company?

The WITNESS: Yes.

By Mr. Lesage:

Q. What is his position?—A. He is secretary-treasurer.

Q. He is secretary-treasurer, and how many shares does he hold?—A. I believe he holds one share.

Q. Who are the other shareholders?—A. There is one other shareholder, Mr. McLaughlin of Montreal.

Q. Who is he?—A. Mr. McLaughlin is a business man in Montreal.

Q. Is he in the baking business?—A. No, not directly.

Q. And each one of you three have one share?—A. Yes.

Q. And all the balance of the shares is held by Glenora Securities?—A. Glenora Securities.

Mr. IRVINE: May I ask a question?

Mr. LESAGE: Yes.

Mr. IRVINE: I would like to ask if Glenora Securities is a subsidiary of the Ogilvie Flour Milling Company?

The WITNESS: That is possible, I could not answer yes or no, I do not know.

By Mr. Lesage:

Q. Is it a holding company for Ogilvie Flour Mills or any flour mills?—A. I cannot answer. I do not know.

Q. You do not know. It seems to me as if you do not know very much Mr. Kelleher.—A. Thank you.

Q. Unless your memory is refreshed as it was this morning?—A. No, I am certainly not—I do not agree with that statement at all. I think it is most unfair.

Q. Would you please file with this committee a copy of the deed of sale of Regal Bakery? Did you have any meeting of the shareholders of your company since the incorporation?—A. Yes, there was a meeting when I got the job.

Q. Who represented Glenora Securities then?—A. There was Mr. Rae and myself were there.

Q. Who else, you could not be the only two?—A. Well there was one of the former shareholders there.

Q. One of the former ones, who was he?—A. Mr. Francois Caron.

Q. Yes, but he is not in the picture any more. Who was there that is still with the company besides you and Mr. Rae?—A. Mr. Rae, Mr. McLaughlin and myself.

Q. Mr. McLaughlin was there?—A. Yes.

Q. Was Glenora Securities represented?—A. Frankly I do not know.

Q. You do not know. How many directors are there on the board of directors of the company?—A. Three.

Q. You three?—A. Yes.

By Mr. Pinard:

Q. Would you give the full names and addresses of the two other directors, Mr. Rae and Mr. McLaughlin?—A. I would have to get them.

Q. Do you not know them now?—A. No, I am afraid not.

By Mr. Lesage:

Q. Would you file that with the committee please?—A. Yes.

Q. Did you usually attend the meetings of the Ontario Association of Bakers for General Bakeries Limited?—A. Yes, whenever the general manager was unable to go he usually asked me to go down.

Q. To your knowledge was there a meeting of that association shortly after your King Edward Hotel meeting?—A. That there was a meeting shortly after?

Q. Yes?—A. I am not aware of it, no.

Q. You did not go yourself?—A. No, shortly after that meeting—I do not think so.

Q. Shortly after?—A. I do not think so.

Q. You do not think so, you were not present anyway?—A. I do not think so.

The CHAIRMAN: What does the witness mean? Do you mean that you were not there or that there was no meeting?

The WITNESS: I believe the last meeting I attended was the one in the King Edward Hotel.

By Mr. Lesage:

Q. Are you positive about it?—A. That that was the last meeting I attended?

Q. Yes?—A. I think I am positive, yes.

Q. Yes. If somebody came in and said you were there, if two or three witnesses would say that what would you say?—A. I would say that possibly they were correct.

Q. Possibly correct?—A. I do not remember whether I was at a meeting or not.

Q. You do not remember?—A. Why should I remember, there is no reason why I should remember any particular meeting.

Q. I could answer you on that, from now on I do not think you have a good memory.

Mr. FLEMING: Mr. Chairman,—

Mr. LESAGE: I just have one or two questions.

By Mr. Lesage:

Q. Mr. MacDonald said yesterday there was name calling at that meeting at the King Edward Hotel. In answer to a question by Mr. Winters you said "Name calling—Mr. MacDonald I think was comparatively new in the baking industry and bakers have an affectionate way of addressing each other without meaning any ill will." However, Mr. MacDonald had been very strong on that point and had said, about his report to Mr. Wright, "I told him I hoped I would never have to go to any meeting among bakers again in my life. It was the most disgraceful exhibition among business men I had ever seen in my life." What do you think of the description of the meeting?—A. Well, I would say that different people can see things in different ways. I have no recollection of any meeting that I have ever attended that I would classify as a disgraceful exhibition.

Q. So Mr. MacDonald was wrong there again?—A. In my opinion he is, yes.

Q. He is wrong about that?—A. In my opinion, yes.

Q. Well, there surely must have been something, some heated discussion?—

A. I have no recollection of anything I would term out of the ordinary.

Mr. IRVINE: You think they are heated all the time?

The WITNESS: I think so, sir.

Mr. FLEMING: It is part of the business.

By Mr. Lesage:

Q. Mr. Kelleher, Mr. MacDonald did not take any part in the discussion, is that it?—A. Yes, I think that is true that he did not.

Q. Whenever the voice of General Bakeries was heard it was heard through your own voice?—A. I would say that I had very little part in the discussion too because I considered myself—

The CHAIRMAN: That is not the question that was put to you.

The WITNESS: Would you repeat the question?

The CHAIRMAN: The question was whenever General Bakeries voice was heard you were the voice? What is your answer to that?

The WITNESS: My answer to that is General Bakeries voice was not requested.

By Mr. Lesage:

Q. I did not ask you that, I asked you if you said something, in other words, at that meeting?—A. Yes, I undoubtedly did.

Q. If you expressed an opinion?—A. I definitely expressed an opinion.

Q. On the part of General Bakeries?—A. I definitely expressed an opinion.

Q. As to the price of bread?—A. As to the effect of the government subsidy removal which was under discussion.

Q. And on what the price should be in your opinion?—A. What the effect of cost would be.

Q. Would you please answer my question yes or no?

By the Chairman:

Q. Mr. Lesage's question had to do with the discussion as to the price of bread, now what did you say about that?—A. I would say as far as the price of bread is concerned there was no opinion expressed by me on the part of General Bakeries.

Q. Well you wanted 15 cents?—A. I say that is my impression of what the price of bread should be.

Q. I asked you if you said you wanted 15 cents at that meeting? Did you?—A. I have no idea whether I said that. Mr. MacDonald tells me he does not remember me saying anything like that.

By Mr. Lesage:

Q. When did he tell you that?—A. This morning.

Q. You discussed your testimony this morning?—A. I was talking to Mr. MacDonald this morning just before the meeting started, right here.

Q. Did others express an opinion as to what the price should be?—A. I do not agree at all—

Q. What?—A. I do not agree at all. I told you the discussion was on the effect of the removal of the subsidy and decontrol of the industry and how it affected the cost in the baking industry.

Q. And you swear on your oath that no expression of opinion was made as to what the price should be at that meeting?—A. I would not like to vouch for what several other gentlemen said. I do not recall anything like that taking place.

Q. You cannot swear that you did recall this morning?—A. I would say that I do not believe that there was a discussion of price as you suggest.

Q. That is not what I am asking you. I am asking you if anybody at that meeting, apart from you, expressed any opinion as to what the price of bread should be. Is that the reason you don't recall? That is one of your own answers, you can't get out of it.—A. There is no question of getting out of it.

Q. That is what you are trying to do this morning?—A. I am not trying to get out of anything.

Q. Then just answer my question.—A. I have endeavoured to answer. I believe I am being put a question there which is trying to make me say something which is not true.

Q. Well, say no then, if it is not true I am asking you a fair question. Say, no, to the question, you can only say "yes," or "no," or "I do not recall." Did anybody at that meeting apart from you express an opinion as to what the price of bread should be after the removal of subsidies; it is a clear question. You can only give one of three answers to that; it is either yes, or no, or I do not recall.—A. I would say I do not recall in that case.

Q. You swear that you do not recall?—A. I swear that because I could not name anybody who did that.

Q. I did not ask you to name anybody. I am asking you if anybody did say that. I am not asking who said it.—A. I am perfectly right in saying that I do not recall, because I do not.

Q. You did not hear anything like that, did you?—A. I have no recollection of that, sir. I know that the effect of the removal of subsidies was discussed, that it was going to increase cost and that that would be reflected in increased price.

Q. Will you swear that you do not recall that anybody expressed his opinion as to what the price of bread should be?—A. I remember the Colonel suggesting—

Q. Apart from the Colonel, any other baker?—A. I do not recall. That is the only answer I can give you.

Q. Yesterday in answer to Mr. Dyde you said this: I am reading to you from a part of yesterday's evidence page H-2

Mr. JOHNSTON: Where did this evidence come from?

Mr. LESAGE: I secured it from the officials.

Mr. JOHNSTON: Are other copies available? I haven't got that in evidence and I should like to have it.

The CHAIRMAN: I presume what you have before you is one of the official copies. As I understand it from the Senior Reporter of Committees a number of copies are made, I think it is seven each day. Three of those are distributed to the press and the other four go to the clerk of the committee, one copy for the use of the King's printer and the other copies for the use of the committee. Is that what you have?

Mr. LESAGE: That is it.

The CHAIRMAN: I understand that Mr. Lesage has one of the clerk's sets of copies which are available to any member of the committee at any time.

Mr. LESAGE: I secured it last night after 6 o'clock and went over it.

Mr. JOHNSTON: I suggest there be sufficient copies to give each party represented before the committee the use of one.

The CHAIRMAN: It goes to the clerk. I am told there is some technical difficulty about that. We could deal with that later.

Mr. LESAGE: I will hand it to you after I read this question.

Mr. JOHNSTON: Of course, I haven't time to do that now.

By Mr. Lesage:

Here is what you said yesterday:—

Q. Now, the others must have expressed an opinion as to what the price should be, the others must have expressed their opinion as to what the price should be; is that not correct?

And your answer is:

A. That would be correct, yes.

Q. How do you reconcile this answer to the one you just gave me?—A. Well, I reconcile it absolutely. I say the effect of the increased cost from the removal of the subsidy would affect the price of bread.

Q. Please. I will read the question to you again:—

Q. Now, the others must have expressed an opinion as to what the price should be; the others must have expressed their opinion as to what the price should be; is that not correct?—A. That would be correct, yes.

Q. How do you reconcile the two answers?—A. I believe they reconcile themselves perfectly.

The CHAIRMAN: I think perhaps we had better let the committee decide at a later date on that, Mr Lesage.

Mr. LESAGE: All right, Mr. Chairman.

Q. In September, before you left General Bakeries, was the same quality of flour used for Richmello and GB brand?—A. The same quality of flour—yes.

Q. Yes; and the same quality of ingredients?—A. The same quality—

Q. Of ingredients?—A. I would not be in a position to give you the formulas. Is that what you are asking?

Q. No, no; I do not want to go as far as that.—A. If the quality would be—

Q. If it would be the same?—A. Would be the same.

Q. The quality of the ingredients going into the bread would have an effect on the quality of the bread because of the flour?—A. No, I do not think that is a true statement.

Q. It would not have an effect?—A. No. I think the difference in the quality of the bread comes from the formula you use, whether you put so much shortening in or so much malt or things like that, that is what gives you the quality.

Q. Is there any difference or much difference in the cost of production of Richmello and the GB brand?—A. That would have to be referred to General Bakeries, I think.

Q. Oh well, in September?—A. In September—I haven't any figures to show that.

Q. You were general manager of the plant?—A. No, I was not general manager of the plant.

Q. You were manager?—A. I was manager of the plant, yes.

Q. And you would not know that; surely, Mr. Kelleher, you would know that?—A. What was the question exactly?

Q. Is there any great difference in quality between Richmello and the GB brand, or was there in September when you left the employment of General Bakeries—in either the quality or cost of production?—A. Frankly, I have no figures available to give you. I cannot answer the question.

Q. What about the quality. Have you any figures as to cost?—A. Quality I would say would be a matter of opinion, the quality of one loaf against another.

The CHAIRMAN: What is your opinion? He has asked you that question?

The WITNESS: I have no opinion.

By Mr. Lesage:

Q. You have no opinion?—A. No.

By Mr. Winters:

Q. It was intended to be a lower cost item?—A. A cheaper loaf would be lower cost.

Q. On a cost basis?—A. Yes.

By Mr. Lesage:

Q. Is it not to your knowledge, Mr. Kelleher, that the cost of production of each brand is the same?—A. No, it is not.

Q. Then why did you tell me a few moments ago that you could not answer that question when you say now it is not the same?—A. That the quality of each of the different brands would be the same? I did not say that.

Q. But you just said you did not know in answer to a previous question.—A. I did not. You are asking me a specific question and I have no papers in front of me to answer you. I do not know what the difference in costs are?

Q. I did not ask you what the difference in cost was, I asked you if there was any difference in the cost of production of Richmello and GB brand?—A. I am not with General Bakeries.

Q. In September; I have been asking you for September. Do not try to avoid the answer?—A. I am not avoiding any answers.

Q. No?—A. I would have to have the papers before I could answer a question like that.

Mr. LESAGE: Mr. Chairman, will you please order the witness to answer?

The CHAIRMAN: Answer the question. If you cannot answer say you cannot. I must say that I am under the impression—I want to be fair to you—that you are not answering his question, that you rather seem to be trying to evade giving a direct answer.

Mr. LESAGE: May I recall to the witness that he is under oath that he will tell the truth and the whole truth; and there is something in the Criminal Code which applies where they do not tell the whole truth.

The WITNESS: I am not in the habit of not saying the truth.

Mr. LESAGE: I am asking you for the whole truth.

The WITNESS: The whole truth is that I am not in a position to answer your question. I haven't a copy of the formulas before me so I cannot tell you.

By Mr. Lesage:

Q. I am not asking you what the difference in cost is, I am asking you if from your own knowledge there is a difference in cost?—A. To my knowledge there would be, yes.

Q. You said a few minutes ago that it was the same quality of flour; is it the same quantity of flour which is used?—A. The same quantity I presume would go in. Yes.

Q. From what ingredients—how do you explain then the difference in cost?—A. The difference in cost between one formula and another would come from the ingredients that go in, such as shortening or malt.

Q. Is there more shortening or more malt in the GB brand than in the Richmello brand?—A. I have no idea.

Q. You told me that the cost of the GB brand, the cost of production, was higher than the cost of the production of the Richmello?—A. To the best of my knowledge.

Q. To your knowledge?—A. Yes.

Q. Where does it come from?—A. I would assume the difference would come from the difference in the formulae.

Q. But that is only an assumption?—A. A what?

Q. An assumption?—A. An assumption, yes.

Q. You would not know?—A. I believe it is true.

Q. You believe— —A. But I would have to have the papers to be able to answer you definitely.

By Mr. Pinard:

Q. Where were you before you went with General Bakeries?—A. I was with Standard Brands.

Q. Who are they?—A. Distributors of food products.

Q. Where?—A. I was in South America. I left Canada and went to South America.

Q. How did you come to join General Bakeries' staff?—A. I joined General Bakeries on my return from South America, contacted General Bakeries and applied for a position.

Q. Since you left General Bakeries have you gone back there?—A. I have not gone back there.

Q. Not once?—A. Not once.

Q. Have you kept contact by telephone or correspondence with General Bakeries?—A. I have no connection with General Bakeries whatever.

Q. Do you have any connection with their Montreal plant?—A. I have bought some goods from them, yes.

Q. From whom?—A. General Bakeries, Montreal.

Q. Do you mean to say that Regal Bakery is now buying from General Bakeries in Montreal?—A. Yes, we have bought some merchandise from General Bakeries in Montreal.

Q. Do you mean to say that you were buying supplies from General Bakeries and you did not know that?—A. I do not know whether they have or not. I have not consulted them.

Q. Whom did you contact in Montreal in connection with your purchases there?—A. The Montreal manager, Mr. Saxby.

Q. Who is he with, Excell Bakeries?—A. That is right.

Q. Do you know if Mr. McLaughlin is president of General Bakeries Montreal does he have any interest?—A. I would know not. I do not believe he has any interest in General Bakeries?

The CHAIRMAN: You just said, you would not know. Now, that surely is an answer. If you would not know you cannot go on saying what would be a different thing.

The WITNESS: I would not know what interest any person has in any other firm.

The CHAIRMAN: You said you would not know.

By Mr. Pinard:

Q. But you suspect that Mr. McLaughlin did become a director of your firm?—A. You say, I myself suspect?

Q. Yes?—A. I have no suspicion. I have no knowledge of what interest Mr. McLaughlin or anybody else would have in that.

Q. How about Mr. Rae?—A. I have no knowledge of his personal affairs.

Q. You did have the idea of purchasing bread from the Montreal firm of General Bakeries?—A. I have not purchased any bread from the Montreal firm of General Bakeries or from any other firm.

Q. You just told us that yourself, that you have been purchasing bread from Montreal.—A. That was not my impression of the discussion at all.

Q. What did you purchase from them?—A. Cakes.

Q. Do you have any knowledge whether any directors of your firm are also directors of any other bakeries?—A. I do not know.

Q. You do not?—A. No.

Mr. PINARD: That is all.

The CHAIRMAN: Mr. Fleming.

Mr. FLEMING: Before I put my questions to this witness there is one thing which I think we should decide in this committee now. Yesterday we had one witness step down to make way for another. We thought we might get some information there. There are two persons whose names have been mentioned in the evidence this morning. One is Colonel Ruttan and the other is Mr. Taylor. I suggest, Mr. Chairman, that we send for both those gentlemen now. I understand Colonel Ruttan is in Toronto, but I suggest we telephone him and tell him to come down here at once. I presume Mr. Taylor is in Ottawa and is available.

There have been statements attributed to Mr. Taylor through Colonel Ruttan at this meeting in Toronto that I think we ought to get to the bottom of it at once. I think we are conscious of a certain amount of annoyance over what happened yesterday. I think we had better get these witnesses here as quickly as we can and get to the bottom of it. Would you entertain a motion that we ask Colonel Ruttan and Mr. Taylor to attend?

The CHAIRMAN: Mr. Fleming had mentioned to me privately the very suggestion he has now made publicly. I have had a chance to give it some consideration. I understand Mr. Dyde has made arrangements for Colonel Ruttan to be here.

Mr. DYDE: I have made arrangements that if the committee wishes him to be here we are to send word to him and he will come.

The CHAIRMAN: Obviously I think he should be here.

Mr. FLEMING: As quickly as possible.

The CHAIRMAN: But I do not think we can proceed any further with Mr. Taylor until he has come. We ought to finish these witnesses.

Mr. FLEMING: We will have to go on with these witnesses but we will have to get arrangements under way to get these other witnesses here.

The CHAIRMAN: Mr. Taylor is in Ottawa. We will have him here. There is no need to bring him here at this very moment.

Mr. FLEMING: Could he be here this afternoon?

The CHAIRMAN: If we finish with these witnesses. You might contact Mr. Taylor to be available if the committee wishes him, but there is no need of his being here until he is actually required.

Mr. FLEMING: We want to save more time. I think we are conscious of having been led around a bit yesterday. If we had got the witnesses who had the information yesterday we might have saved ourselves a great deal of time.

The CHAIRMAN: Have you any questions?

Mr. FLEMING: Yes. Do you want to dispose of that matter as far as Colonel Ruttan is concerned?

The CHAIRMAN: We are going to have him here as quickly as possible.

Mr. FLEMING: Mr. Dyde was waiting for some instruction.

The CHAIRMAN: I think he should be asked to be here.

Mr. LESAGE: I submit we should finish with Mr. MacDonald first.

The CHAIRMAN: We will finish these witnesses first.

Mr. JOHNSTON: Has Mr. Fleming any questions to ask the witness? If not, I have.

Mr. FLEMING: I have several. Are we going to have Colonel Ruttan?

The CHAIRMAN: Yes.

Mr. FLEMING: Tomorrow?

The CHAIRMAN: As quickly as we can get him here.

By Mr. Fleming:

Q. Mr. Kelleher, you have indicated what other persons present at the September meeting at the King Edward hotel said. Now, I want to ask about what Colonel Ruttan said. In the first place was Colonel Ruttan present throughout the meeting?—A. I am not sure on that point. I could not tell you definitely whether he was or not.

Mr. LESAGE: I think counsel has been informed it was not so.

Mr. FLEMING: That he was not present throughout the meeting?

Mr. LESAGE: That he was present—did you ask him if he called the meeting?

Mr. FLEMING: I asked him if Colonel Ruttan was present throughout the entire meeting and he has said he does not recall whether he was present throughout the entire meeting.

Mr. LESAGE: If you would raise your voice—

By Mr. Fleming:

Q. To what extent did Colonel Ruttan participate in the discussion at the meeting?—A. Colonel Ruttan advised the meeting of the fact the subsidies were off as had been announced, and that the government recognized that would represent approximately 2 cents a loaf on the price of bread.

Mr. CLEAVER: I wonder if the witness would speak up?

The CHAIRMAN: Speak louder so Mr. Cleaver and the rest can hear.

The WITNESS: Colonel Ruttan advised the meeting officially that the subsidies were off the price of bread and that it was recognized by the government that would represent an increase of approximately 2 cents a loaf, I believe, in the price of bread. He also advised us that the government recognized that the increased price of ingredients had been going on for a number of years, and with bread at the standard selling price, at 10 cents, the bakers had had no opportunity to absorb that extra cost. In other words, the loaf had stayed there and the costs had gone up. I believe he said the government felt that would represent about 1 cent a loaf.

By Mr. Cleaver:

Q. How much?—A. One cent or less; that was their feeling.

Mr. LESAGE: More or less.

By Mr. Irvine:

Q. Was that an invitation to raise it 3 cents?—A. So he said it looked as though there would be justification for an increase in the price of bread, that it was recognized the price of bread could go up.

By Mr. Cleaver:

Q. But not exceeding 3 cents?—A. But the government wanted the co-operation of the baking industries not to be unreasonable.

The CHAIRMAN: What is the answer to Mr. Cleaver's question?

The WITNESS: What is the question?

By Mr. Cleaver:

Q. The question was the government indicated the price increase should not exceed 3 cents.—A. That would be my impression of the discussion.

Mr. LESAGE: He also mentioned 2½ cents.

The CHAIRMAN: I think we ought to allow Mr. Fleming to go on.

Mr. LESAGE: It was only one question. Did he mention 2½ cents? Mr. MacDonald told us there was a question of an increase of 2½ cents.

Mr. FLEMING: Mr. MacDonald did not say anything about Colonel Ruttan.

The WITNESS: I imagine Colonel Ruttan could tell you better than I could what he said.

The CHAIRMAN: All right, go on.

By Mr. Fleming:

Q. Have you given us a complete review of what Colonel Ruttan said at the meeting?—A. To the best of my knowledge I would say that would—

The CHAIRMAN: Yes or no; that answer is not very difficult.

By Mr. Fleming:

Q. Did Colonel Ruttan make a statement at the outset of the meeting or did he participate in the discussion at the meeting?—A. I think his statement would have come in general discussion. There was no formal meeting.

Q. Had you met Colonel Ruttan before?—A. I had met the Colonel at other bakery association meetings, yes.

Q. Bakery association meetings. Now, how did those meetings compare with this one in September as to personnel in attendance?—A. Well, there would be approximately the same people in attendance.

Q. Do you mean you had had similar meetings of the same group with Colonel Ruttan previously?—A. Yes, I would say that was so.

Q. Over how long a period?—A. Well, quite some considerable time, I would say.

Q. Considerable time—a matter of months or a matter of years?—A. Well, I was only there—

By the Chairman:

Q. What is the answer to the question, a matter of months or a matter of years?—A. A matter of months.

The CHAIRMAN: All right, answer the questions then.

By Mr. Fleming:

Q. Then I understand that meetings of the same people with Colonel Ruttan had been going on through the entire period during which you were manager of the Toronto plant?—A. Yes.

Q. Of General Bakeries?—A. Yes.

Q. Now, in your review of what Colonel Ruttan said at the meeting the first thing you mentioned was he said the subsidies were off?—A. Yes.

Q. We happen to know that the subsidies came off on September 14, I think it was. Are we to understand from that this meeting occurred after the subsidies came off?—A. Yes, to the best of my knowledge. It was on the following Monday, I believe. The subsidies came off on Saturday or Sunday and the meeting was on the Monday.

Q. I do not know whether or not you have fully answered this question but if you have say so. Have you any personal knowledge as to whether Colonel Ruttan participated in any way in the calling of the meeting?—A. I have no knowledge of that.

Mr. JOHNSTON: Mr. Chairman, I should like to ask a question or two of the witness if he does not mind. I want to go back to this meeting that you had in the King Edward hotel.

The CHAIRMAN: Order; it is pretty hard to have private conversations going on when questions are being put.

By Mr. Johnston:

Q. Can you tell me who the other members of the association are?—A. No, I am afraid I could not. I would suggest you get a list of the association. I think practically every baker in Ontario is a member of the association.

Q. Can you give me some idea as to the number? I just want to get a general picture, not in any detail.—A. No, I could not. It would be easily obtainable, though.

Q. There were certainly more than five or six in the association, were there not?—A. Yes.

Q. And just taking this as a guess would there be twenty-five members?—A. I could not answer that. I do not know.

Q. Can you express an opinion as to why there were not more members of the association there than the five or six who were present?—A. As an opinion I would say that possibly those members who were there were most readily available being in Toronto.

By the Chairman:

Q. They were the most powerful, too, were they not?—A. Definitely, yes.

By Mr. Johnston:

Q. I assume then what you mean by that is that whoever called the meeting would pick out possibly the more important ones, the larger ones? Would that be so?—A. I would assume that would be a correct impression, yes.

Q. And that it was too small a meeting to have the whole association there, but merely to have the leaders of the large bakers present?—A. I would assume you are correct.

Q. I would think that would be true in view of the fact you held it in a small hotel room.—A. Yes.

Q. Otherwise it would have been in a larger room. You mentioned a moment ago in your evidence you had no reason to place this meeting above any other meeting?—A. Right.

Q. You would not have any idea as to how many other meetings were called, roughly?—A. I would not know. The bakers met quite regularly. I understand by applying to the association you would get that information.

Q. You think the association head, whoever he might be, might have a record of all meetings that were called?—A. I would assume so.

Q. Including this one?—A. I do not know. I am not on the committee at all. I would assume they have a record.

Q. As to any other meetings that were called, I suppose it would be the same person who would call them as called this particular one?—A. I could not answer that. I do not know.

Q. I realize you probably would not be in a position to answer that. Let me come back to the date of this meeting.

The CHAIRMAN: Mr. MacInnis has a question.

By Mr. MacInnis:

Q. I was thinking perhaps this question might help. Is there a Toronto section of the bakers' association?—A. Yes, I believe that there is a Toronto section.

Q. Then the Toronto section would meet more frequently than the Ontario association?—A. That would be correct, yes, definitely.

Q. Would this meeting that we have been talking about be an informal or formal meeting of the Toronto section?—A. It would be an informal meeting.

Q. Do you know how often the Toronto section had formal meetings?—A. No, I would prefer you get the correct answer from the association.

Q. There were a number of formal meetings?—A. Yes, sure, definitely.

By Mr. Johnston:

Q. You spoke about Colonel Ruttan being present at this meeting, and I think you did say—you will correct me if I am wrong—that when Colonel Ruttan was talking in the meeting that he did mention the fact that the prices control had been lifted the day before?—A. Yes.

Q. And the prices control had been lifted on the 14th; is that right?—A. On the 14th—frankly I do not know the date of this meeting that we are talking about.

Q. I am speaking of the meeting which you had in the King Edward hotel.—A. Yes, can you give me the date of that meeting?

Q. I am trying to arrive at that date.

By the Chairman:

Q. It is the last meeting you attended?—A. Yes.

Mr. FLEMING: Probably we can get at it this way. He said it was the Monday following the week-end removal of the subsidies.

The WITNESS: Yes.

Mr. MAYHEW: The 16th.

Mr. FLEMING: We know the subsidy came off on Saturday, the 14th, so this must have been Monday, the 16th.

By Mr. Johnston:

Q. It would either be Sunday the 15th, or Monday the 16th?—A. It was Monday.

Q. I think it would be pretty accurate to say the meeting was held on Monday, the 16th?—A. Yes.

Q. I thought that. I wanted to bring that out clearly. Coming back to the price of bread, I am not trying to get you to say you dictated the price of bread because you have made it quite clear you were concerned with the costs. But you will recall I think, Mr. MacDonald saying he was of the opinion that bread should be 14 cents a loaf. I suppose that would be an increase in cost of 4 cents?

Mr. CLEAVER: I believe he said 15 cents.

Mr. JOHNSTON: No, I am referring to Mr. MacDonald.

The CHAIRMAN: This man said 15 and Mr. MacDonald said 14.

By Mr. Johnston:

Q. Mr. MacDonald suggested, "14 cents in our view was a proper price," and you suggested in your evidence today you thought 15 cents would be a proper price?—A. Yes.

Q. What I want to get at is this; did you have any discussions with Mr. MacDonald or other executives of General Bakeries as to what the additional cost might be, whether it might be 3, 4 or 5 cents?—A. Yes, there were naturally discussions though nobody knew at the time what the effect of the removal of the subsidy was going to be. So, it was hypothetical as to what our costs would be; nobody knew that.

Q. I assume that you, being general manager of the plant— —A. No, manager.

Q. Manager of the plant, you would have had discussions about the increase?—A. Yes.

Q. In regard to the price?—A. Yes.

Q. Does it come to your memory that Mr. MacDonald in these discussions made a strong protest—protest is not exactly the word, but strong plea for a 14 cent price against your 15 cent price?—A. No, because I would not say there was ever any issue there. It was merely an expression of opinion as to what the result was going to be. Certainly, amongst the executive there was no major issue because they took the attitude they did not know what the effect on our business was going to be. They did not know what the subsidy removal would be or what decontrol would be.

Q. I would assume you, in your position, would have a more accurate estimate of the probable increase, the necessary increase, than even Mr. MacDonald who was secretary-treasurer?—A. No, my opinion would not be as accurate as his because he is the party who would compile the costs. I would have nothing to do with that.

Q. Then, would it not follow that you should have accepted Mr. MacDonald's estimate of 14 cents rather than 15?—A. Possibly that is so, but different individuals I think have a right to an opinion. Because Mr. MacDonald thinks one thing, there is no reason why I should believe his figure is correct.

Q. But of course, he was basing his on accurate accounting?—A. On accurate knowledge, whereas mine would be on more general knowledge.

Q. You were just putting your estimate of 15 cents in such a place that the company would be assured, could I put it this way, that the company would be assured of a profit?—A. Of making a profit.

Q. Rather than a loss?—A. That would be my intention.

By the Chairman:

Q. It would not be as Mr. Cleaver has suggested, that your opinion was based on what the traffic would bear?—A. No, I do not think that is a fair way of putting it.

Mr. IRVINE: Do you think it would bear any more?

By Mr. Johnston:

Q. I think you would have to bear in mind, Mr. Kelleher, that the General Bakeries would not want to sell on the market at less than the others were selling because it might be considered an unfair trade practice?—A. I would say they would not be able to. If their costs go up they have to put the price up.

Q. Then, when you suggested 15 cents, of course, the others would have to agree to that, if it were possible, to be able to carry it through?—A. If it was necessary, I presume they would have agreed with me.

Q. But you did state that the others did not agree with that?

Mr. MACINNIS: The others did not think the traffic would bear it.

By Mr. Johnston:

Q. You did say, though, the others did not agree with you?—A. The executive did not agree because they did not put the price up to that mark.

Q. Neither did the meeting at the King Edward Hotel agree with you?—

A. I do not think my remark at the meeting—

The CHAIRMAN: You are not answering his question. I was going to suggest to Mr. Johnston several times that the questions were not being answered.

By Mr. Johnston:

Q. I think you did say, Mr. Kelleher, the meeting did not agree with you on the increase of 5 cents?—A. I would say that the question was not on the carpet.

Q. I am not going to argue that point. Probably I am using the wrong term in saying they did not agree with you on the increase of 5 cents in the cost?—A. No, many bakers did not feel their costs were affected to the same extent as I thought.

Q. Other bakers did not think their costs were affected to the extent of 5 cents?—A. Yes.

Q. Therefore they did not agree on a 15 cent loaf and I only use that term to indicate that would be the actual selling price in view of the costs?—A. Yes, but there was not actually a question of a 15 cent selling price.

Q. I am not arguing that point, I am pointing out when you did suggest a 5 cent increase in cost it would necessarily result in a 15 cent loaf?—A. Yes, it would.

Q. It could not help it?—A. No, if it was accepted as a fact that the costs had increased to that extent, the price would have to go up.

The CHAIRMAN: That was not the question. You are not answering his questions at all. You keep going back to the question of costs and he is asking about the question of price.

By Mr. Johnston:

Q. Well, Mr. Chairman, I think I will leave it at that. The witness has stated that the actual costs, in his estimation, would be 5 cents and he did agree with me, I think, that the actual cost would be reflected in the selling price of the bread which would make it 15 cents.

Now, for my purposes, I would assume then—I do not want to put words in the witness' mouth—I would assume, then, that the 15 cents would have been the selling price of the loaf of bread?—A. Yes.

Q. I think that would be the consensus of that meeting, would it not?—A. If anybody—no, I do not think we are talking about the same thing there at all.

Q. You correct me, then.—A. I am saying that I felt there was an increase in cost of 5 cents. The others did not feel that their costs were up 5 cents.

By Mr. Mayhew:

Q. Were or would be?—A. Were or would be.

Q. Which was it? You are anticipating, now, that your costs when the subsidies were lifted would be 4 cents higher than they were at that time?—A. Yes, different people had different ideas as to how their costs were affected.

By the Chairman:

Q. You just tell us yours, now?—A. My idea was that the cost would be affected 5 cents.

By Mr. Johnston:

Q. Therefore, bread would have to sell at 15 cents.—A. Yes.

By the Chairman:

Q. You make that statement, although you have already told us Mr. MacDonald had greater knowledge of the cost factors than you did?—A. Yes, definitely.

By Mr. Johnston:

Q. I think that is as far, Mr. Chairman, as I wish to carry that point. I wish to turn to another, and I do not know if this question is in order, but you will correct me if it is not. You did say, I believe, that you possessed one share in the company?—A. Yes.

Q. What would your salary be in the company?—A. Does that have to be made public?

The CHAIRMAN: I wonder if that is a fair question?

Mr. MACINNIS: Not at this stage.

The CHAIRMAN: I do not think so. Unless you can satisfy the committee this gentleman's salary has something to do with the price of bread, I think I would have to rule it out.

Mr. JOHNSTON: That is the point I was coming to because I do think salaries, which would be figured in the company's overhead costs, would have a very definite effect on the cost factors included in bread.

The CHAIRMAN: Well, salaries, the cost of operation and all that sort of thing would have to be calculated, but your question was a specific one as to this man's specific income from the company. I do not think, at this stage, it would be a proper question.

Mr. JOHNSTON: I was in doubt about it myself and it was for that reason I asked you to correct me. I am not a lawyer and I do not know how far I can go with this line of questioning.

Mr. MACINNIS: Lawyers always go as far as they can.

By Mr. Johnston:

Q. I want to come back again to that meeting. For some reason or other I seem to be rather interested in that meeting. When you were at that meeting you were discussing the cost factors which entered into the manufacturer's price of a loaf of bread?—A. Yes.

Q. Colonel Ruttan was there, is that right?—A. He was at the meeting, yes.

Q. And he gave you a picture as to the effect of the removal of controls on the price of a loaf of bread?—A. Yes.

Q. And the removal of subsidies as Mr. Lesage just reminds me. The removal of subsidies would be a very material consideration in the cost of a loaf of bread or in the selling price of a loaf of bread, would it not?—A. Yes, definitely.

Q. In your opinion would there have necessarily been any change in the cost or the selling price, if the subsidy had remained there?—A. Yes, my opinion is that definitely the selling price would have been increased because, as I mentioned before, bread was kept at a ceiling and all the time costs were mounting for ingredients, labour and everything else; so you reached a point where your costs were getting higher than the ceiling. Obviously, that would have to be corrected in order to avoid losses.

Q. I suppose Colonel Ruttan discussed that at the meeting, did he not?—A. He said the government recognized the bakeries were subject to increased costs.

Q. But there was no suggestion there that the subsidy should be raised rather than removed by Colonel Ruttan?—A. I do not think so.

Q. He was very definite on the point that the subsidy would be withdrawn?
—A. He was very definite that the government had decided on the policy of withdrawing the subsidy and they were finished with it.

Q. Yes, the subsidy had been withdrawn. I recall that, now. During all this discussion with Colonel Ruttan present, it was quite apparent that in view of the action of the Wartime Prices and Trade Board in removing the control, prices would have to take a very substantial increase? You suggested Colonel Ruttan mentioned around 3 cents?—A. That is correct.

Q. So that would have made the price of bread at least 13 cents, according to the admission of the Wartime Prices and Trade Board?—A. Yes.

Q. Was there any objection raised by Colonel Ruttan at the suggested increase of 4 cents?—A. I recall the Colonel saying that it was up to everybody to figure out their costs and to obey the government's desire that the industry cooperate with the government in maintaining costs as low as possible.

Q. So, in your mind, you would be cooperating with the Wartime Prices and Trade Board if you raised your price say the 4 cents, raised your cost the 4 cents?—A. The 3 cents; the estimate was approximately 2 cents on flour and 1 cent or a fraction less for other costs.

Q. Mr. Cleaver has just said something about a maximum of three; did the Colonel say 3 cents should be the maximum?—A. Whether I should put words in the Colonel's mouth or not, or try to paraphrase him—

By the Chairman:

Q. What did you understand the Colonel to suggest?—A. I understood the Colonel to suggest there was an admission by the government that there was 2 cents on flour and 1 cent on the other ingredients, which would be 3 cents.

By Mr. Johnston:

Q. Then, let me put it this way; the Colonel did take a very definite part in the establishing of this price, so far as his argument in the meeting went?—A. He gave an expression of government opinion, I would say.

Q. Yes, and that would have a very material effect in arriving at price would it not?—A. I would not be prepared to answer for other men as to the effect of government wishes.

Q. I am just asking you your own opinion?—A. In my own opinion, if the government suggested to me that they felt a certain price was justified I would be inclined to cooperate with the government.

Q. You would not have much option if they re-imposed control, so that in a sense—

The CHAIRMAN: Do you mind if I ask a question in view of the last answer?

By the Chairman:

Q. If you were told now that the price of bread should be 1 cent lower would your company follow that if that was recommended by the head of the Wartime Prices and Trade Board?—A. I would—

Q. Would you? My question is based upon your former reply?—A. Would I endeavour to cooperate with him and put the price down 1 cent?

Q. That is exactly my question? Would you?—A. I presume I would have to.

Q. No, you would not have to but would you? I am asking you that?

By Mr. Irvine:

Q. Could you, and live?—A. No I do not think I could and live, if that is the interpretation.

The CHAIRMAN: Your answer is you would not.

Mr. FLEMING: He did not say that.

The WITNESS: I would not say I would not do what the government told me to do.

The CHAIRMAN: I do not think it is a very important part. At the present time there is no power than can compel you to charge a particular price, but if the Wartime Prices and Trade Board head official said to you as president of your particular company "We believe that you could charge 1 cent less", I ask you, in view of your basic reply just before, what would you do?

The WITNESS: I would endeavour to show them that it would be a very unfair position to be placed in and if I could not convince them I would have to comply with the Wartime Prices and Trade Board.

Mr. JOHNSTON: Yes, well I think that is about as far as you can go, Mr. Kelleher.

The CHAIRMAN: Pretty far.

Mr. JOHNSTON: Had the bakers applied to the Wartime Prices and Trade Board for a permit to raise their prices prior to the lifting of the control?

The WITNESS: Well frankly I do not know whether there was any actual official—

Mr. LESAGE: Request?

The WITNESS: What is that?

Mr. LESAGE: Any official request.

The WITNESS: I have no knowledge of it.

Mr. LESAGE: Representations had been made.

The WITNESS: Representations had been made.

By Mr. Johnston:

Q. Was there any discussion about that at the meeting in the hotel?—A. As to whether the bakers should request? No, because the Colonel, as I recall, told us the industry was decontrolled.

Q. And therefore you would be at liberty to do as you chose?—A. It was up to every individual to figure out his own position.

Q. He was quite aware of the great divergence in opinion in respect to raising the cost?—A. Presumably he would be at that time.

Q. Did he raise any strenuous objections, being the representative of the government there?—A. I do not recall if he would raise any objections, I think he would be in a consultory or advisory capacity.

Q. Not in view of the fact it was the consensus of the meeting that an increase of 4 cents would be necessary?—A. I do not agree there was any consensus of opinion at the meeting. I think everybody has a different idea as to what his position is.

Q. Well, of course, the result was that whether it was agreed at the meeting or not the final result was the price of bread did increase 4 cents.

Mr. MACINNIS: General Bakeries had two opinions?

The WITNESS: No, I think the price of bread increased 3 cents to 13.

Mr. JOHNSTON: All right, then let us leave that for the moment.

Mr. DYDE: May I interject a question here before you go on?

Mr. JOHNSTON: Yes, surely.

By Mr. Dyde:

Q. Mr. Kelleher, was there any discussion or suggestion that if the price was to be increased that you should take two jumps at it, and it would go up a certain amount in September and then perhaps later on some more? Was there any discussion of that in that meeting in September whether Colonel Ruttan was in the room or not?—A. Whether that would be at that meeting or not, I do not know, but I do recall at one meeting that there was a suggestion that before the government was going to decontrol that possibly—we would refer to the representations of that gentleman mentioned—that before the government saw fit to decontrol possibly they would recognize there were increased costs and they would give the bakers authority to increase their prices before the subsidy decision was made.

Mr. LESAGE: That was not Mr. Dyde's question.

The WITNESS: No?

Mr. DYDE: No. I wanted you to tell me whether there was any suggestion or discussion as to whether increases should take place in two jumps, that there would be an increase say in September and then possibly another increase later on?

Mr. LESAGE: After decontrol.

The WITNESS: My answer would be I do not recollect tying that question down to that particular meeting.

By Mr. Dyde:

Q. There might have been a discussion of that?—A. There had been a previous discussion which I recall but I could not answer you on your specific question as to whether it was at one meeting or another.

Q. At some meeting there was a discussion about taking it in two jumps?—A. Yes, that the government should recognize, that they had recognized costs were increasing, and that they should give some relief to the industry before they were ready to decontrol.

Q. And while you were discussing it with Colonel Ruttan—did you discuss it in his presence, that you might take an additional jump later on?—A. I do not recall that. I recall, as I say, at a meeting, but I do not remember which meeting it was, a suggestion made to the colonel that the baking industry did need that cent and I believe he was to pass the information on to the government.

Mr. LESAGE: But that was before decontrol?

The WITNESS: Yes.

Mr. MAYHEW: Just here at this moment might I ask a question?

The CHAIRMAN: Yes, Mr. Mayhew.

By Mr. Mayhew:

Q. Was General Bakeries able to maintain a standard profit on bread up to September, that is half a month before the increase?—A. My own answer—

The CHAIRMAN: What is your answer to this question?

Mr. MAYHEW: Had they maintained a standard profit?

Mr. FLEMING: Mr. Chairman, give him a chance.

The WITNESS: If I may just make a comment. If I remember rightly sitting at the back of the hall yesterday you were waiting for some reports on General Bakeries from Toronto because they were a little leery to give out the information before the shareholders had received it. Do you not think this is the same?

The CHAIRMAN: Well—

Mr. MAYHEW: I asked if they were able to maintain standard profits?

Mr. JOHNSTON: I cannot hear you.

The WITNESS: I can only answer that I do not know.

The CHAIRMAN: If that is your answer say that you do not know.

The WITNESS: I was only the plant manager.

Mr. JOHNSTON: Mr. Kelleher, I have just one question.

The CHAIRMAN: Order, gentlemen, Mr. Mayhew has not finished.

By Mr. Mayhew:

Q. General Bakeries have a number of plants over the country?—A. Yes.

Q. As far as your own plant was concerned were you able to maintain your standard profit?—A. There I would answer no.

By Mr. Johnston:

Q. Then coming back, Mr. Kelleher, did the Wartime Prices and Trade Board, before controls were lifted, recognize the increased costs?—A. Yes, the colonel frequently mentioned that they recognized cost had increased but they did not do anything about it.

Q. Yes, so the conclusion would be then, as far as the bakeries were concerned, that the Wartime Prices and Trade Board recognizing increased cost was essential were unprepared to grant you further subsidy to cover the increased cost and you would have to assume that responsibility yourselves?—A. I would say that would express the situation.

Q. And that would relieve them of the responsibility of carrying that increased cost themselves?—A. That is probably exactly true.

Mr. LESAGE: The taxpayer.

The CHAIRMAN: With regard to the question of profit and loss we will remember Mr. Cleaver's request yesterday for the actual statement of this company. I hope before long that we can get into that. If we do decide to do so it may be very pertinent to Mr. Mayhew's question.

Mr. MACINNIS: Just one question.

By Mr. MacInnis:

Q. Do you know where Colonel Ruttan's headquarters were?—A. I believe he had his office on Bay street in Toronto but I could not tell you.

Q. When your manager suggested that you attend this informal meeting did he tell you that Colonel Ruttan would be there— —A. No.

Q. Too?—A. No.

By Mr. Pinard:

Q. Mr. Kelleher you referred some time ago to Mr. J. C. McLaughlin as being the one who is responsible for you being with Regal Bakery, is that correct, Mr. McLaughlin of Montreal?—A. Yes.

Q. Do you know if Mr. McLaughlin is connected with Glenora Securities?—A. My assumption is, but if I know—

The CHAIRMAN: Do not give your assumption, do you know?

The WITNESS: No, I do not know.

By Mr. Pinard:

Q. Do you know if he is the same Mr. McLaughlin that I find in Moodies Manual for Investment for 1946 as Mr. J. C. McLaughlin, Treasurer of Ogilvie Flour Mills Company?—A. Yes.

Q. It is the same person?—A. Yes.

Q. Now do you know whether, first of all, if I might ask you how do you sell your bread in Hull?—A. We sell it off trucks and wagons.

Q. What is that?—A. We have trucks and wagons.

Q. What type of bread do you sell? Do you have a brand with it?—A. Yes, we call it Regal.

Q. Regal?—A. Yes.

Q. Is there a wrapper? Is that bread wrapped?—A. Yes, we also have crusty loaves which are unwrapped.

Q. Is the price marked on your wrapper?—A. No, it is not.

Mr. LESAGE: What is the price?

The WITNESS: We have 13 cent bread.

Mr. LESAGE: 13-cent?

The WITNESS: Yes.

The CHAIRMAN: Is it the same bread that is sold in Toronto for 14 cents?

The WITNESS: That I cannot tell you. We have no bakery in Toronto.

By Mr. Pinard:

Q. Where do you get your wrapping paper from?—A. We buy our wrapping paper from different wrapping paper concerns. We buy from Consolidated and Continental, and there is also another one there, the firm of Capital Carbon.

Q. Where do you buy your flour from?—A. We buy our flour from Ogilvie Flour Mills.

Q. Before fixing the price of your own bread in Regal Bakery, did you get in contact with anybody or did you do it by yourself?—A. When I arrived in Regal Bakery the price of bread was 13 cents and I have not changed it.

Q. Who was there before you at Regal Bakery?—A. Regal Bakery was Mr. Hudson.

Mr. CLEAVER: I have a question.

The CHAIRMAN: Yes, Mr. Cleaver.

By Mr. Cleaver:

Q. I am curious to know Mr. Kelleher, why you were urging that the price should be fixed at 15 cents and I remind you of different parts of your evidence before putting my question. I believe you have told us that you did not have detailed cost of your Toronto production?—A. Right.

Q. Do you know what the over-all products of the company were up to the last annual statement?—A. I saw the last annual statement, yes.

Q. And can you tell the committee what the profits were to the last annual statement?—A. No sir I do not recall what they were. The statement would be available, it was published and sent out to all the shareholders.

Q. And at the time you sat in on this meeting you did not then recall what the profits were?—A. No, definitely not.

Q. And I think you have told the committee Colonel Ruttan demonstrated in detail that the increased cost to bakers would not exceed 3 cents with the lifting of the subsidies plus the other increased costs?—A. Colonel Ruttan expressed government opinion on what the increased cost would be to the best of my knowledge.

Q. Yes, and then you heard your own Mr. MacDonald, and you knew Mr. MacDonald had the actual figures of your own company on cost, you heard him express the opinion that 4 cents would be adequate?—A. I frankly would have to answer that I do not recollect what Mr. MacDonald said. I know Mr. MacDonald has told me he thought that would be sufficient but what he said at the meeting, I could not tie that down.

Mr. FLEMING: Just a point on the question. I think the question is a little ambiguous. It is suggested that Mr. MacDonald told Mr. Kelleher that he said that at the meeting but we have not heard any evidence of that expression at the meeting or otherwise.

Mr. CLEAVER: Mr. MacDonald told this committee that he expressed the opinion.

Mr. HARKNESS: Mr. MacDonald said he did not open his mouth.

The CHAIRMAN: In any event we have this clear. This witness did know Mr. MacDonald was of the opinion bread could be sold 1 cent less than his figure.

Mr. CLEAVER: In the light of all these facts you urged a 5-cent increase?

The WITNESS: No, I did not urge anything because I expressed, for my own firm, the opinion that there should be a 5-cent increase.

By Mr. Cleaver:

Q. At this meeting about which we have been talking you suggested a 5-cent increase?—A. I suggested that my costs were such that I should—

The CHAIRMAN: Answer that question.

By Mr. Cleaver:

Q. At the meeting in the King Edward Hotel you suggested the 5-cent increase?—A. I would answer no to that in that case.

The CHAIRMAN: All right. That is certainly not what I understood you to say earlier.

The WITNESS: I suggested and I maintain that I felt that my costs were up 5 cents and you interpret that into price.

By Mr. Cleaver:

Q. You have heard and I have reminded you that all these gentlemen knew much more about costs than you did and yet you expressed the opinion that it should be 5 cents. I would like to know why, and I suggest to you that the reason you suggested a 5-cent increase is that you felt the traffic would bear that and you thought it would be a popular price?—A. I suggest that your interpretation is wrong, that my reason for wanting a 5-cent increase is because I felt my costs were up to that extent.

Q. You wanted to make as much profit for your company as you could and you thought you could get away with the 5-cent increase?—A. I did not. I say that is your interpretation.

Q. That is not my interpretation. I say, in the light of the facts stated by all of these men who were in a much better position to determine costs than you were; you have admitted to us that in the light of the facts as related by all of these other men who are seized with a good deal of knowledge you thought a 5-cent increase was indicated?—A. I thought 5 cents was necessary.

Q. Coming to your own concern in Hull, the selling price there on bread is 13 cents?—A. Yes.

Q. Would you tell the committee as to whether the 13 cents in Hull shows a satisfactory profit in the shape of net profit?—A. The answer is, no. At the present time it is too low.

Q. Will you supply a financial statement to the committee?—A. To show that? Yes sir, certainly. I would be glad to.

Q. What is the date of your last financial statement?—A. Last financial statement would be December 31, 1947.

Mr. PINARD: Would the witness also file the cost of flour from Ogilvie Flour Mills to his bakery in Hull, a statement of his inventories from time to time, together with the discounts of any from Ogilvie Flour Mills.

By Mr. Cleaver:

Q. You have said, Mr. Kelleher, that the last financial statement you have on Regal Bakeries is January 1, 1947?—A. No; I said December 31, 1947.

Q. December 31, 1947, right up to date?—A. Yes.

Q. How soon can you have that statement for us?—A. It is in course of preparation by our auditors at the present time. It should be ready any time.

Q. Tomorrow?—A. I would have to enquire.

The CHAIRMAN: May we recall Mr. MacDonald?

Mr. HARKNESS: I have just one question or two, if you don't mind, Mr. Chairman.

By Mr. Harkness:

Q. You said that Colonel Ruttan suggested that the government thought a 3 cent increase in price was the maximum that should take place. Did Colonel Ruttan differentiate in any way in his suggestion as to what the price should be as between the cheaper type of loaf and the more expensive type of loaf?—A. I do not think that was discussed at all. I think it was merely a discussion of the effect or the removal of the subsidy on bread.

Q. You have said he suggested that 3 cents would be the maximum increase that your costs would go to and therefore the price should be increased?—A. That was my interpretation of it.

Q. I ask you again, did he make any differentiation in suggestion as between what the increase should be for the more expensive type of loaf and the cheaper loaf?—A. I do not think he mentioned that at all.

Q. That never came up, to your recollection?—A. I do not think so. I have no recollection of any such discussion.

Q. As far as the general tone or tenor of this meeting was concerned was the situation this, that Colonel Ruttan was suggesting to the bakers' representatives there what the increase should be, or that they were suggesting to him what the increase should be?—A. I would say that the tenor there was a search for information as to what was happening in the industry, what was the government's idea, and I think Colonel Ruttan as administrator was there listening to what the bakers thought, and also trying to interpret the government's thinking.

By the Chairman:

Q. Am I correct in saying, Mr. Kelleher, that a moment ago you told us that at no time at this meeting did you suggest what the price of bread should be?—A. I would say, yes.

Q. You at no time suggested what the price of bread should be?—A. No, I was thinking entirely and always in terms of cost.

Q. Did you suggest what the cost of bread should be?—A. I suggested what my costs were.

Q. You did not at any time suggest what the price should be?—A. No.

Q. May I review the questions and answers put to you yesterday, page 495. These are questions asked by Mr. Dyde, the first full question at the top of the page:—

Q. Yes, but what I am asking you definitely is, did you not at some time while you were in that room discuss the price at which bread should be sold?—A. I know that I, myself, wanted to increase the price of bread in our case; everybody else obviously had to do the same thing, but there was no general discussion on what the price was to be.

Q. Did you tell the other people in the room what price you thought bread ought to be?—A. Yes. As far as I was concerned bread ought to be 15 cents.

Q. At that meeting that day?—A. Yes.

Q. Did you get called any names for saying that?—A. Well, I do not know that I was called any names for saying that.

Q. Did anyone take exception to that?—A. Well, some people apparently thought—

Mr. CLEAVER: Just speak up, please.

By Mr. Dyde:

Q. Would you speak louder, please? Did anyone take exception to your suggesting 15 cents?—A. I would not say that anybody took exception to it, no.

Which answers do you want us to accept; the ones you made this morning or those you made to Mr. Dyde yesterday?—A. As far as I am concerned, I am talking about the same thing. I have been talking about the increase in my costs all along.

Mr. LESAGE: Is that your answer to this contradiction?

The WITNESS: Yes. I do not believe there is any contradiction at all. I am talking about what my costs are, where my increase in cost is. Other people come along and turn me around and talk about my price. It is the cost I am talking about.

The CHAIRMAN: I just used your own words as recorded here in the evidence. You said:

A. I know that I, myself, wanted to increase the price of bread in our case; everybody else obviously had to do the same thing, but there was no general discussion on what the price was to be.

Q. Did you tell the other people in the room what price you thought bread ought to be?—A. Yes. As far as I was concerned bread ought to be 15 cents.

The WITNESS: That is merely turning it around another way, that my costs were I figured up 5 cents.

The CHAIRMAN: All right.

By Mr. Winters:

Q. Mr. Chairman, I would like to ask some questions supplementary to the one asked by Mr. Lesage about standard profit. The witness as I understand it said at the time the subsidy was taken off the company were not making their standard profit?—A. The Toronto plant, I think.

Q. That the Toronto plant were not making a standard profit. Could the witness say at what time the company started failing to make its standard profit?—A. I was connected with the company from June 1 on anyway.

Q. Did they make standard profit at any time afterwards?—A. I would not know.

Q. What was the standard profit?—A. I would not know.

Mr. MERRITT: Did that company have a standard profit, a company incorporated in 1946?—A. Mr. Mayhew might know that, a company which was not in business before 1946?

M. MAYHEW: No, it would not have a standard profit, unless it had had one established.

The WITNESS: By the preceding company.

Mr. MAYHEW: There would be one for the preceding company. It took over a going concern and it would have the standard profit that was established in the other company.

By Mr. Winters:

Q. One would gather from the answer given by this witness that that meeting was a reasonably well conducted one and that there was a fair exchange of questions and answers, and one gets the impression there was some leader in that. Colonel Ruttan took an active part in the discussion. Might I ask if the people who were present at that meeting were sitting down or standing?—A. They were sitting down.

Q. In which case one would normally expect the questions were well directed and they were holding conversations; would that be a fair statement?—A. That would be a fair statement.

Q. How long did the meeting last?—A. As far as I remember the meeting adjourned I think around 11 o'clock and probably broke up about 12. I am not definite. I do not know.

Q. I would like to get the opinion of the witness then on one question; that is, would the witness think it would be possible for a man in the baking industry to go to that meeting where things seems to be orderly, a few people sitting down and discussing things in a rational way, to be introduced to the personnel who were concerned with him in the industry and go away from there without any names or companies who were at the meeting?—A. I would assume that in the case of Mr. MacDonald.

The CHAIRMAN: Never mind assuming anything.

Mr. WINTERS: Will you give your opinion on that?

The WITNESS: My opinion is, my own assumption I would say, Mr. Chairman—because I cannot answer for Mr. MacDonald—

The CHAIRMAN: Then say you cannot answer, do not assume anything.

Mr. WINTERS: I am just asking the witness for his opinion.

By Mr. Winters:

Q. Do you not think it is reasonable to assume that?—A. Yes, if that is what you are getting at, I would think it is. Mr. MacDonald had only been in the industry a short time and had not attended any meetings and had not met anybody in the baking industry before. I would assume that it is quite possible that he would not recall.

Q. I do not want to personalize on this thing. I would like to ask the witness if under the circumstances he would not have made a special point of trying to remember the names and the companies of those with whom he is associated in business?—A. Yes, I would make a special point of doing that.

Q. Yes.—A. I always make it a point of remembering the names of everybody I meet because naturally that is one thing most people like, to be called by their names.

Mr. FLEMING: Are you going into politics some day?

The CHAIRMAN: I have a suspicion you want to forget the names of the members of this committee, or some of them.

The WITNESS: I have a distinct suspicion that I will have cause to remember them.

By Mr. Winters:

Q. I do not know whether I have a good expression of opinion from my question or not. I would like to ask again; in his opinion is it reasonable to believe that an intelligent person active in the industry associating himself with other members of the industry for an hour in an orderly discussion could come away from there without remembering a single name or a single company?—A. It is pretty hard. My opinion on that—

Q. I am just asking for an opinion, I wonder if I could get a clear-cut answer?—A. I have been in positions myself where I have met—

Q. I would like to say again; is it reasonable to assume that?—A. Yes, it is reasonable, because it has arisen in my own particular case; therefore, I think it is reasonable that another man might be in the same position.

The CHAIRMAN: That will be a matter for this committee to express its judgment about. I have not any hesitation in expressing mine right now. However, I will not.

By Mr. Fleming:

Q. Mr. Kelleher, were any decisions reached at that meeting?—A. None whatsoever.

Q. Was Colonel Ruttan present until the end of the meeting?—A. I am afraid I could not answer that. I do not recall.

The CHAIRMAN: Can we call Mr. MacDonald now?

Mr. JOHNSTON: It is four minutes to 1 o'clock. Could we adjourn now and call him afterwards?

Mr. LESAGE: If we had the financial statement we could look at it.

The CHAIRMAN: We might have that statement during the intermission. Mr. MacDonald, will you come forward? Thank you, Mr. Kelleher.

Mr. DYDE: While Mr. MacDonald is coming forward, I am in some little difficulty with witnesses in this way, that I have endeavoured to estimate when the witnesses would be called, and some gentlemen who expected to be called following Mr. MacDonald have been waiting very patiently in Ottawa for some days. It now looks a little as though we were going to find that Colonel Ruttan would be here tomorrow. I am just mentioning this because of my difficulty in holding these gentlemen away from their businesses. I think likely we are not going to need the Atlantic & Pacific Tea Company, which is the next formal witness, until Monday. I do not think I have any representations to make to the committee. I am merely pointing out the fact that these gentlemen are anxious to get back to their businesses.

The CHAIRMAN: I am sure that is a difficulty we are going to have all the time.

Mr. LESAGE: If we are convinced we cannot hear these gentlemen before Monday we could ask them to come back on Monday morning.

Mr. JOHNSTON: I think that would be only fair.

The CHAIRMAN: That is agreed. I thought we had agreed to that.

Mr. FLEMING: Who is to be called after Mr. MacDonald?

Mr. DYDE: The next formal witness we had planned to call was the Atlantic & Pacific Tea Company, but now we are interjecting Colonel Ruttan, if I can get him here, and Mr. Taylor.

The CHAIRMAN: All right.

James Michael MacDonald, Secretary-Treasurer, General Bakeries, Limited, recalled.

By the Chairman:

Q. Mr. Cleaver had asked for certain financial statements. Have you those available?—A. I have them here, sir.

Q. Will you produce them to the committee?—A. Again the question, of course, of producing information which has not yet been made public—

Mr. LESAGE: Speak louder.

The WITNESS: Again the question arises of producing information which has not yet been made public except in the company's offices. I was wondering if it would be possible to satisfy the requirements of the question by giving the percentage of our net profit on sales in both Toronto and Montreal for the last five or six four-week periods.

Mr. LESAGE: I do not believe it would be sufficient for our purposes. Do you think so, Mr. Cleaver?

Mr. CLEAVER: I would think if the witness would give that information and would indicate the percentage of head office expenses that are charged to the Toronto and Montreal offices, and would demonstrate that he is charging only a fair amount of the overhead costs to the operation of those two branches, that would give the information that I wanted. I do not say that it would satisfy other members of the committee.

Mr. MAYHEW: Can we go a little bit further than that? He would indicate what those were, and then our own auditor we have with us would have the privilege of examining that to confirm or otherwise your statement.

The WITNESS: Certainly.

Mr. FLEMING: I was going to suggest we get all the information the witness is prepared to give us, then we will be in a better position to judge whether we require more information. I think Mr. Mayhew's suggestion is a very good one.

The CHAIRMAN: Agreed.

Mr. JOHNSTON: Following that suggestion I think we should have the witness give us what information he is prepared to give us now. Then after having examined that information if it is thought advisable to get more we can see if the witness can give it. If not we have our own auditors we can call on to see what they can do.

Mr. MAYHEW: We have our auditors who can examine the statement. As I understand it the witness is prepared to furnish them with all facilities, all back calculations, to confirm the statement or otherwise.

Mr. JOHNSTON: I have a further suggestion. If we do that with this witness we should do it with the others, too.

Mr. MACINNIS: Others similarly situated.

Mr. JOHNSTON: In a similar situation.

The CHAIRMAN: All right, the meeting is adjourned until 4 o'clock.

Mr. CLEAVER: I wonder if you would table the financial statement so that we can study it during the recess.

The CHAIRMAN: Yes, that will be exhibit 23.

EXHIBIT No. 23: First annual report of General Bakeries Limited, dated April 2, 1947.

The meeting adjourned at 1 o'clock p.m. to resume at 4 p.m.

AFTERNOON SESSION

The CHAIRMAN: Counsel tells me that he has consulted with the chairman of the Wartime Prices and Trade Board who would prefer to be called now, rather than tomorrow, because of important departmental engagements which he has made outside the city. Mr. Taylor is here now.

K. W. Taylor, Chairman, Wartime Prices and Trade Board, recalled.

By Mr. Dyde:

Q. Mr. Taylor, before I open the subject on which you are being called, perhaps it will be convenient for you to produce a press release of the Wartime Prices and Trade Board dated September 18. This press release was issued on that date, was it not?—A. Yes, Mr. Dyde.

Mr. DYDE: I will file that as Exhibit No. 24.

EXHIBIT No. 24: Press Release C-613, Wartime Prices and Trade Board, Bread prices.

Mr. CLEAVER: Mr. Chairman, while that exhibit is being distributed my attention has been called to two small errors which materially change the meaning of the transcript of the evidence. I am referring to the minutes of our proceedings, No. 10, of February 24.

The first correction I wish to make is on page 449, the fifteenth line from the bottom; the word "included" should be "excluded".

The CHAIRMAN: Agreed.

Mr. CLEAVER: Then, on page 466 of the same copy of our minutes, No. 10, in the twenty-third line from the top, the word "voted" in the last line of the question should be "added".

The CHAIRMAN: Yes, "The flour increase came along and they added on all these other things".

Agreed.

All right, Mr. Dyde.

By Mr. Dyde:

Q. Mr. Taylor, this morning the committee received evidence from a member of the baking trade—

The CHAIRMAN: I wonder if we could not have this exhibit 24 read since the committee did not have an opportunity of looking at it while Mr. Cleaver was making those corrections?

Mr. DYDE: Exhibit 24 is press release C-613 of the Wartime Prices and Trade Board.

EXHIBIT 24

WARTIME PRICES AND TRADE BOARD

Ottawa, Sept. 18—Because of the apparent uncertainty concerning the actual effect on bread prices of the recent removal of the government subsidy paid on flour, Wartime Prices and Trade Board today issued a statement showing the actual amounts by which these products are affected when the previous subsidy is transferred into price.

The subsidy removal increased the cost of wheat purchased by the millers by approximately 81 cents per bushel, or \$3.65 for the four and one-half bushels required to produce one barrel of flour (196 pounds).

By increasing the price of mill feeds produced from the same four and one-half bushels of wheat by approximately 35 cents, the net increased cost to the millers is \$3.30.

The amount by which the millers have raised flour prices is approximately \$4.05 per barrel and in so doing they have allowed 75 cents per barrel for accumulated increased costs of labour, bags and other materials.

Where bakers are now paying an additional \$4.05 per barrel of flour which produces about 280 pounds of bread or 186 24-oz. loaves, it means that the actual amount by which the cost of each pound of bread is increased is slightly under one and one-half cents, or two and one-fifth cents for the 24-oz. loaf.

If the baker raises his bread price three cents for a 24-oz. loaf he makes allowance not only for increased flour costs, but also for higher costs of labour and for other materials used in bread making.

The board also pointed out that the legal weight of the bread loaf is governed by provincial regulations and varies widely in the different areas across Canada. In the Maritime provinces the standard legal weights are 20 and 24 ounces. In Quebec, the weight varies from the large two pound loaf to a twelve ounce loaf. In Ontario, the bulk of the bread sold is in 24 ounce loaves but 16 ounce and 12 ounce loaves are also legal. In Manitoba the standard weight is one pound. In Saskatchewan and Alberta the standard is 20 ounces and in British Columbia it is one pound for unwrapped bread and 15 ounces for wrapped.

By Mr. Dyde:

Q. Mr. Taylor, this morning there was evidence given of a meeting which took place in the King Edward Hotel in Toronto, and the date is fairly well fixed as being September 16, 1947. At that meeting Mr. C. N. Ruttan is said to have been present and is said to have given information which he was either authorized to give or had received from you with reference to what was to happen when the subsidies went off flour. I am going to ask you a general question, Mr. Taylor. What were your instructions at that time, if any?—A. During the two or three days following the decontrol of a wide range of products on September 15, I had quite a number of long distance telephone conversations, not only with Colonel Ruttan but with a number of our other administrators. I should not like to be precise as to exactly what was said in each particular conversation.

I do recall, that, on the several days, I had several talks with Colonel Ruttan by long distance. He told me that he had been asked by a number of the bakers as to what their position was. He told me that he had been asked to attend meetings with certain bakers. I told him in essence that the ceiling was off bread prices and it was up to each baker to determine his own price in the light of his own costs and his own competitive circumstances.

I also told him that all the talk in the papers about a 4 or 5 cent increase in the price of bread was, in my judgment, excessive. I reminded him we had no detailed, up to date, costs of baking bread, but I did not think any increase in excess of 3 cents a pound could be regarded as warranted, and I hoped that, out of the competitive situation which was then developing, a possible price as low as two for a quarter might emerge.

Q. Excuse me, you said three cents a pound?—A. We were talking about the Ontario prices and they would be in terms of the 24 ounce loaf; 3 cents for the 24 ounce loaf, a 1½ pound loaf, which is 2 cents a pound.

I think it was at a later date, perhaps two or three days later, that I telephoned Colonel Ruttan as the result of certain information that was being passed around, that I thought it was unwise for him to attend any more meetings of the bakers. I told him, of course, as administrator he could not refuse to see bakers who came to see him. I told him that it would be quite proper to meet with the members of his advisory committee.

Perhaps I should explain that in the administration of the Wartime Prices and Trade Board in connection with all our administration, we had formally appointed advisory committees. There was an advisory committee on bread and bakery products of which three or four members at least, came from Toronto and vicinity.

So, I told him I thought it was unwise for him to attend meetings, particularly where there might be some suggestion of prices being discussed. I particularly called his attention to the Combines Investigation Act at that time.

By the Chairman:

Q. You could not particularize as to the date of that conversation with Colonel Ruttan?—A. I think I talked to him almost daily for three or four days. My recollection is there was no change in the price of bread in Toronto for three or four days after the decontrol of flour and bread prices. My recollection is that the price of bread went up in Toronto to 13 cents for a 1½ pound loaf about Thursday or Friday, which would be about September 18 or 19. I think I am right in saying the chain store price did not go up until several days later, sometime in the middle of the following week I would think I spoke to Colonel Ruttan on the telephone—as I spoke to a great many other administrators about decontrol almost every day during the three or four days following the announcement of decontrol.

By Mr. Irvine:

Q. May I ask you whether Colonel Ruttan attended this meeting against your advice?—A. No, I have no personal knowledge of his attending any particular meeting. I am reasonably certain he did attend some meetings because I do recall telephoning him towards the end of the week—that would be about the 19th or 20th—to say I thought it was unwise for him to get into arguments and discussions with the trade as to what their price was.

I think perhaps, Mr. Chairman, I should add that for a period of eight or ten months preceding decontrol the bakers, either individually or collectively, had been making frequent and, in latter months, most urgent representations to the board for an authorized increase in price, quite apart from any increase in flour prices. We had denied all those applications with the exception of some modest adjustment in the very low priced bread.

Back in 1943, we had adopted a formula that anybody whose selling price of bread was less than 5 cents per pound could, on application, come up to 5 cents a pound. Then, in the spring of 1947, I would not be sure of that date but round about that time, we adopted a principle whereby bakers, on application, could receive approval for a revised price up to 6 cents a pound. But, the chain store prices were left unchanged and what might be called the standard 10 cent rice was unchanged.

During the spring and summer of 1947 we had repeated and increasingly urgent representations from the bakers for an increase in the price of bread quite irrespective of the change in flour prices.

We declined to approve this increase on the general ground that as far as we could tell from the evidence before us the over-all position of the bakers was not unsatisfactory from the financial point of view.

Mr. IRVINE: Is Colonel Ruttan still with the board?

The WITNESS: No, sir.

Mr. PINARD: Now, Mr. Taylor, would it be unfair to ask you, in the light of the terms of this press release, if the 4 cent increase on bread was justified and if it constitutes a just and reasonable price for bread today?

The WITNESS: I cannot say, Mr. Pinard, because since September there have been a number of further changes in the elements of cost. I have not kept track of the details in changes on wage costs but I know there have been some.

Mr. JOHNSTON: Upwards or downwards?

The WITNESS: The ones I am aware of are upwards. There have been increases in the price of shortening. There have been increases in the price of bread wraps. There have been other increases of that sort but I am not a technical baker and therefore I could not go into any more detail on them. As I said on an earlier occasion before this committee the increase in unit costs are very difficult to determine unless you know something about the volume and the general level of efficiency and so on.

Mr. FLEMING: Mr. Taylor, are you aware—I take it you have been aware—that there have been various advances in the cost of bread? For instance, we have been told that in the case of the most popular brand handled by Loblaw's, which is a Canada Bread product, the price advanced since the period prior to the removal of subsidies, 2½ cents a loaf and in the case of another brand 3 cents a loaf, in Brockville, Cornwall, and Ottawa, and 14 cents in Toronto.

Mr. JOHNSTON: Four cents.

Mr. FLEMING: Four cents, to fourteen.

Mr. JOHNSTON: Just in flour.

Mr. FLEMING: In cost of the loaf to the public.

By Mr. Fleming:

Q. Have you had knowledge of the advances, has your board?—A. Yes.

Q. Have you followed them in different places?—A. Yes; I am reasonably sure we have. I have not personally kept a file on the matter.

Q. I take it in view of what you said you are satisfied with the increases, say the 2½-cent increase and the 3-cent increase, but what would you say about the four?—A. In September, 1947, it was our judgment that four cents was an unnecessarily high increase.

Q. At that particular time?—A. At that particular time.

Q. I should say in fairness the increase in one case I mentioned from 13 cents to 14 cents occurred on January 27, and were you aware of that?—A. I saw it in the paper.

Q. Did your board, through its officials, attempt to follow these changes in price and investigate them?—A. Not in detail. I happened to be in Toronto that particular day and I saw it in the Toronto evening paper. I telephoned Mr. Cotter from my hotel room in Toronto.

The CHAIRMAN: Who is Mr. Cotter?

The WITNESS: The general manager of Brown's Bread in Toronto. I would not be familiar with his title but it is Brown's bread and I just asked him for the facts and he told me they had raised their price one cent that morning.

By Mr. Fleming:

Q. Did the board ask for any investigation at any time into this further increase?—A. No.

Q. The January increase?—A. No.

Q. The board has never investigated that?—A. Not in any formal way.

Q. The board knew of it, and that advance was greater than you thought it should be in September but the board conducted no further investigation

into this one cent in January?—A. No, we had information that we had not audited in any exact way and knew of figures that were showing a substantial loss.

Q. From whom had that information come to the board?—A. From Colonel Ruttan, who was no longer administrator at that time for the board, and from individuals in the baking industry.

Q. When did Colonel Ruttan cease to be an officer of the Wartime Prices and Trade Board?—A. I would think about November 1.

Q. Did those representations from Colonel Ruttan and the other individuals that you have mentioned have anything to do with the fact that the board has not conducted any detailed investigation of this further one-cent rise in the brand I have spoken of, the one brand in January?—A. I did not get that question.

Q. Did the representations made to you by Colonel Ruttan and the other individuals to whom you referred, did that account for the fact you did not investigate further the increase of one cent in January in this one brand?—A. The word "representations" is perhaps too formal a word. Colonel Ruttan just told me in conversation that certain companies were losing and substantially in the red in their over-all operations and that some increase in bread was likely to take place.

Q. Now what was your reaction to that? Did it have an influence on your course of action as to whether the board should or should not conduct an investigation?—A. In my judgment an increase of one cent in Toronto appeared to us to be not of the kind which was clearly unreasonable and unjust and for that reason we did not make any formal inquiry, but the prices of certain other bakers did not go up, and the prices in other communities did not go up.

Q. Would this be a fair way to put it? It was still the law, even after the removal of the ceiling price and subsidies that no person should sell or offer for sale bread at a higher price than was reasonable and just?

Mr. CLEAVER: May I remind Mr. Fleming that the witness has already explained to the committee when there was no ceiling price fixed by board order, to succeed in effecting a conviction on reasonable and just is a very difficult thing to do, I think that was pretty fully explained to us.

Mr. FLEMING: I am not forgetting that. I am not talking about prosecutions now at all. It was still the law after the removal of subsidies and price controls in September that no person could sell or offer for sale any bread at a price that was higher than reasonable and just. Do I take it that is the law?

The CHAIRMAN: And that is still the law.

Mr. FLEMING: Yes, that is still the law.

The CHAIRMAN: Still the law.

Mr. FLEMING: After the removal of ceilings and subsidies?

The CHAIRMAN: Yes.

By Mr. Fleming:

Q. That is still the law, and the information you have given to the committee now, led you to believe that there was not enough of an increase to put the board on its guard, so to speak, or to warrant an investigation by the board? Is that what I understand your evidence to be?—A. Yes.

Q. Now I was not quite clear from your evidence as to the sequence of events as between the meeting we have had evidence of on September 16 and the instructions or, perhaps, one should say the warning, that you gave Colonel Ruttan and others about not becoming involved in these meetings. Now we have had it fairly well established that this meeting in Toronto at the King Edward

Hotel occurred in the late afternoon on Monday, September 16. Can you date that instruction or warning to Colonel Ruttan?—A. It would be, according to my recollection, certainly several days after that.

Q. So that he had no instructions or warning on September 16 not to attend a meeting of that kind?—A. No. I think it should be added that Wartime Prices and Trade Board administrators had meetings with individuals or groups in industry, whether it be building suppliers, bread stuffs, or textiles, perhaps not every day but certainly at very frequent intervals. My particular telephone call to Colonel Ruttan in the latter part of the week after decontrol was that I felt, in the light of what I had been hearing generally, and what had been appearing in the press, and in the light of certain conversations I had with Mr. McGregor who was making inquiries, it was unwise for Colonel Ruttan to meet with groups of bakers except when they came to see him to make formal representations on some particular subject.

Q. You were in frequent telephone conversation with Colonel Ruttan about this time? Did he report to you about the meeting of September 16?—A. I think he did. He reported certainly on certain meetings that he held because I recall that he asked me certain definite questions. For example, I gathered from what he told me the bakers had expressed a good deal of annoyance over the fact that I had intimated that a 3 cent increase was the maximum increase that would be tolerated and they wanted to know whether they were controlled or not controlled. At that time I told Colonel Ruttan, as far as I can remember the conversation, that the ceiling was off the price of bread and the price of bread had to be determined by each baker in the light of his own circumstances.

Q. Now just before I go back to the matter of his report again, may I ask you this. When you were talking about the 3 cent advance in price of a loaf had you in mind loaves of all kinds, all brands? Was it a general increase of 3 cents that you thought was justified?—A. I think the record speaks there, Mr. Fleming.

Q. Well, that was my inference. I do not want to labour the point but that was the inference I drew from your remark. It was a general increase, and you told us some increased less than that and others increased more.—A. It was on what I call the standard 10-cent loaf, that any increase beyond 3 cents appeared to us not to be warranted under the then circumstances.

Q. You are confining your remark to the standard 10-cent loaf but there are these other loaves. Are you speaking of what is today the standard 10-cent loaf, because it was not the 10-cent then?—A. It was the 10-cent loaf then. What I am talking about was the standard 10-cent loaf which the majority of bakers sold to the majority of customers.

Mr. HARKNESS: Throughout the war?

The WITNESS: Throughout the war. May I put it this way, Mr. Fleming. The price of bread in Ontario would vary all the way from, I think, as low as three loaves for 20 cents which is $6\frac{2}{3}$ cents for a $1\frac{1}{2}$ pound loaf, and $7\frac{1}{2}$ cents, that is 2 for 15 cents, which was probably the prevailing price of the cash and carry chain stores on their own chain store brands, or 8 cents for a single loaf. Individual bakers delivered to the housewife from the wagon 8-cent bread, 9-cent bread and 10-cent bread; but my recollection is, leaving out the chain stores for the moment, that the bulk of the bread sold in the principal centres would be what we call 10-cent bread. It was in reference to that loaf—the bread which is, so to speak, the standard loaf, the one most commonly sold—that our 3-cent increase applied to. I know of cases in Ontario where bakers had an 8-cent loaf for their top price, where they had repeatedly asked for increases. Where, rightly or wrongly we had denied them the increases; and, when the ceiling came off they went up to 13 cents.

Q. Perhaps we could just bring out the answer a little more clearly, Mr. Taylor if I might refer to Exhibit 19. That was an exhibit introduced by Mr. Meech, who was here from Loblaw's. He told us that in September last they had a loaf which sold at a rate of two for 15 cents. They also had another loaf which sold at 10 cents. Now, you are speaking of the standard 10-cent loaf. Do your remarks apply to both of those loaves?—A. No. I was referring to the second of those two loaves, the 10-cent loaf.

Q. Yes. It was your feeling that the increase of 3 cents in September was justified on that. That is the substance of what you have been saying? A. Yes. I must also recall that it is inherent in the process of decontrol that you are turning back the establishment of price to normal competitive operations, and we were particularly interested in any evidence that the competitive situation was being modified or interfered with, and as information came to our hands—very frequently it was not evidence in the legal sense of that term—we referred it to the Combines officials.

Q. Would you have thought that an advance of 3 cents in that first loaf, that cottage brand loaf, the one that had been selling at a rate of two for 15 cents was justified?—A. As I said, Mr. Chairman, it is almost impossible to pinpoint the border-line between warranted and unwarranted prices. I do not think I can state it better than I did earlier in these hearings, when I suggested that a margin of 3 cents a pound on butter in my judgment would be clearly reasonable whereas in my judgment a 10-cent margin on butter is unreasonable. And I think I qualified that by saying that I was not quite sure that a judge and jury would agree with that view. When you try to narrow it down to the difference between 4 cents and 9 cents, 5 cents and 8 cents—there is a zone of indetermination in there where in my judgment the reasonable and just phrase is extremely difficult to apply.

Q. I do not want to labour the point. You have probably spent all the time on it that is warranted. I take it from your observation that the base end increase being justified would apply in general to what we might call the standard brands of 24-ounce loaves?—A. Yes.

Q. Now, this matter of—

The CHAIRMAN: That loaf we were talking about yesterday, the marked loaf, would that be the kind of loaf that you have in mind; the one put out by the company represented by Mr. MacDonald? Yesterday we had evidence about wrapped loaves with a marked price of 14 cents on them.

Mr. DYDE: The GB brand.

The CHAIRMAN: Is that the loaf about which you are speaking?

Mr. FLEMING: I was speaking in general terms of the type of loaf about which we have been talking now for several days, the 24-ounce loaf, wrapped and unsliced, selling under recognized brand names.

The CHAIRMAN: That is right.

By Mr. Fleming:

Q. Now, I interrupted your account to the committee of your conversation with Mr. Ruttan. Was there anything you could add to it by way of giving the substance of his report on the meeting? Did he report to you in any detail as to what happened at the meeting, as to the nature or the effect of the conversations there, or with regard to any other features of the meeting at all?—A. Mr. Fleming, it is difficult to recall details of conversations which took place among literally hundreds of conversations which took place in a week or ten days. In the earlier days before the committee I was called upon to talk in general terms. I feel that I cannot be too precise at this stage.

Q. I think we all appreciate that this happened four months ago and we will not expect you to be too precise about it, Professor Taylor.—A. That is an angle—

Q. Pardon me, may I just ask this; was it your practice to exchange memoranda on telephone conversations, or reports either from officials?—A. Not as a rule.

Q. Did you receive any memoranda or reports from Colonel Ruttan on this meeting or meetings around this time?—A. I may have. I think probably I did.

Q. Could you look those up and let us see them?—A. That brings up a very fundamental point which I think better be cleared up. It is a matter of memoranda from officers in the department to their superiors.

Q. When you say the department you are speaking now simply of the board, are you not?—A. Of the board, yes.

Q. That is not of the Finance department.—A. Oh, no. I am speaking of the board. I merely raised the general question. As I understand the rules of the House I could produce that only under very specific instruction from the committee, on the ground that it is generally accepted that memoranda which are ex-parte statements supplied by officials to their superiors are of a quality which makes them normally non-producible.

Mr. FLEMING: Mr. Chairman, may I say a word on that?

The CHAIRMAN: Yes.

Mr. FLEMING: Mr. Chairman, I suggest the committee should take the responsibility for asking Mr. Taylor to do so. There are a couple of grounds for stating that. The first of those is this: we are not dealing with a government department, we are dealing with the Wartime Prices and Trade Board; and while it operates under the direction and responsibility of the Minister of Finance its status may be a little different from normal departmental correspondence. In the second place, this is a matter which may be of some importance. We have spent a good deal of time now trying to ascertain precisely what happened at that meeting. The way the evidence came out yesterday raised some doubt, and I think the curiosity of the members of the committee was aroused. I think now we ought to go to the best source available for evidence as to what actually took place at that time.

Mr. PINARD: We have been told that the witness would be here to testify himself.

Mr. FLEMING: Mr. Chairman, no doubt Colonel Ruttan will tell us, in fairness, as Mr. Taylor has told us today, that this is one of a number of conversation. He might even say that all he can tell us is that this was one of the series of meetings. I do not want to make any assumption as to what he is going to say. If he made a memorandum at the time that would be the best evidence of what happened. In the third place, Mr. Chairman, we have asked these other witnesses if they made any reports to their superior officials. If they did we would certainly, I think, have wanted that produced. I would have asked for it; and I think now on account of the time we have spent on this question and the importance that has apparently been attached to it in the minds of many members of the committee we should ask for production of these memoranda and reports.

The CHAIRMAN: I have taken the position that it is desirable that the chairman make a few rulings as possible. I think a committee of this sort functions much better if we all assume that there do not have to be any rulings. Consequently what I am going to say now is not a ruling; but I think this committee has a duty to get all the facts whatever those facts are, and my view would be that any information that will help the committee in forming a judgment on any aspect of this problem of prices should be before the committee.

Mr. PINARD: On that point, Mr. Chairman, if we are to have the best available information it would be from the witness himself.

The CHAIRMAN: I do not think that anything which has been said thus far should be construed as indicating that Mr. Taylor has taken a contrary view, because he has not; quite the contrary; as a public servant he has not said that he does not think these things should be produced. He is asking for guidance from the committee. I think that should be clearly indicated, that he has not said this material would not be made available. He has merely asked for the guidance of the committee. I do not think I should make a ruling but I have expressed an opinion as one member of this committee which may give a lead to this thing. I suggest, having said that, you carry on and we will see what happens following that.

Mr. FLEMING: Well, Professor Taylor asked for clear direction from the committee. I think he would be entitled to it. If he thinks he requires something more than a statement such as you have just made to warrant him producing his memoranda and reports to this committee I think he is entitled to it.

The WITNESS: Mr. Chairman, on this point—

The CHAIRMAN: Before you make any comment on that, Mr. Fleming has a right to his view. I suggest the course we have followed thus far has produced all the information we have required and I think if we continue to follow that path we will get all the information we will need.

Mr. FLEMING: But the witness he would require direction from the committee.

The CHAIRMAN: My suggestion was that you pursue your questions, unless they bear on this particular point.

Mr. FLEMING: Questions will arise out of the reports. I am still asking for the production and submission to the committee of any reports and memoranda of this meeting or other meetings or any other meetings around the same time of a similar nature whether held in Toronto or elsewhere which relate to advances in prices of bread following the removal of subsidies.

The WITNESS: It is not quite—

The CHAIRMAN: Before you go on may I say this? This question is important. I have had a chance to see the public comment on the proceedings of this committee and the committee can easily lose its effectiveness if the impression were allowed to be created that any information is going to be withheld. Now, that comment has been made in some cases, but I think in view of what has been said by members of this committee that such a view is not warranted. We are going to try to get all the facts we know of to enable this committee to arrive at a judgment one way or another, and we have taken a position very strongly with regard to the disclosure of company profits. We recognized that in such disclosure certain competitive trade interests might be involved; and, having taken that position I think we must be consistent and take it with regard to all information that might in any way assist us. Now, I do not think I could express a stronger view. I was hoping you might accept that, Mr. Fleming, for the time being.

Mr. FLEMING: I accept, Mr. Chairman; because you have given not a ruling but a statement which is in accord with my own view as to what ought to be produced. I was just wondering if Professor Taylor wanted something more than that in view of his earlier statement, that is all; because I am going to ask him to produce these reports and memoranda.

The WITNESS: It was not our practice to make any memoranda of confidential conversations. I have a recollection of at least one memorandum from

Colonel Ruttan on such discussions with certain bakers. Before I produce that I think I should have instruction. I think I should consult my responsible minister. I am aware, of course, of the normal parliamentary rule on the production of papers, and I think in my judgment that would be clearly not producible in the House.

Mr. FLEMING: This is not the first time this point has arisen with regard to a witness who is in the public service. We had a similar point with Mr. McGregor when he was here as to whether he could, before answering certain questions or disclosing certain information to the committee, have an opportunity of consulting his minister.

The CHAIRMAN: I think the committee will accept me as being fair in these matters. Do you think that that kind of argument really does not lead us anywhere unless a definite stand is taken? Do you not think so? It gives the impression—and I think unfairly so—that a particular witness in the government service is refusing to give information. I do not think we want to put any particular individual in that position because I have said as far as I am concerned I cannot see how any information can be withheld from this committee. I do suggest to you that for the time being the matter ought to be allowed to rest.

Mr. JOHNSTON: I am not very good on these legal arguments. If Mr. Fleming will permit me, I am not very good at understanding the legal argument that is going on between you and Mr. Fleming, but I take it from what I have heard that both Mr. Fleming and the chairman are in perfect accord.

Mr. FLEMING: Not quite.

Mr. JOHNSTON: But the witness himself is objecting to both your suggestions. As a member of this committee I think once the view has been expressed by the chairman that all necessary evidence should be produced before this committee then I do not think that the witness should hesitate in saying that those wishes will be abided by. As far as I am concerned if he would make that statement I would be perfectly satisfied with the argument so far as it has gone.

Mr. IRVINE: It appears the witness takes the position that there is a definite rule of parliament against this thing, and he wants to have that settled with his minister. I think that is quite a reasonable attitude. I think we should give him a chance to see his minister about it.

Mr. FLEMING: This discussion has developed into something broader than I thought it was at the beginning. I thought you and I, Mr. Chairman, were in agreement in effect that these reports and memoranda should be submitted to the committee by the witness, but as I understand it what you are suggesting is that I should not press that matter now.

The CHAIRMAN: My suggestion was that if you would just let the matter rest you would see that in the flux of time we would get that information, rather than raising issues that put the witness, particularly a witness of the calibre of Mr. Taylor, in view of his status, in a difficult position. I am sure the matter will be ironed out. There has not been anything this committee has gone after it has not been able to get.

Mr. FLEMING: I do not want to prolong discussion on it, but may I say that so far as any witness from the public service taking the position that he should be entitled to consult his minister before giving to the committee information that the committee thinks it ought properly to receive, I dispute that position entirely. Surely the committee as a committee of parliament is master of its own procedure here. I do not think that the responsibility of an individual in the public service to his minister can be permitted to over-ride the right and duty of a parliamentary committee to obtain all information within the proper scope of its inquiry.

The CHAIRMAN: I suggest to you, Mr. Fleming, that situation has not arisen. I think, for instance, Mr. Irvine would be one of the first who would want any information that would assist us. All members of the committee would want all information that was going to assist us. Mr. Irvine has indicated that while he, by implication, at any rate, would subscribe to that view he does recognize for the moment the position in which a government servant is. He does not say for a moment that the information should not be given.

Mr. MACINNIS: I think we have had far too much talk about this item. As a meeting of a committee of the House of Commons ordinarily this committee is governed by the rules of procedure that prevail in the House, but under the terms of reference given to the committee we are told to investigate the cause of recent increases in prices. If there is any material in any of the departments of government that pertains to that subject we should have it. I have no objection to Mr. Taylor consulting his minister on the matter, but I think the minister would be very unwise if he said he could not supply that material. I think the best thing to do would be to produce it. This question is not at all on all fours with the one that was raised in the case of Mr. McGregor. That was an altogether different question, but here is a case where we believe that there is material that relates to the recent increase in the price of bread and I see no reason why we should not have it.

The CHAIRMAN: In the case of Mr. McGregor, as Mr. MacInnis points out, there was a reason. We did not want it to interfere with a common objective. They had certain investigations under way to which we fully subscribed and which would meet the ends of this committee. I think that is the distinguishing characteristic.

Mr. FLEMING: May I ask Mr. Taylor a question?

By Mr. Fleming:

Q. Mr. Taylor, have you these reports and memoranda here with you today?
—A. I only got notice of this meeting and the request for my presence very shortly before the meeting was called. I have only had a chance to look through one of the files. I do know of the existence of one memorandum from Colonel Ruttan referring to a meeting. I should like to make it clear that I am not expressing any personal reluctance to produce the document. I am in a sense speaking out of the abundance of my own ignorance of the proper thing to do. I merely want to say that I must be assured of the propriety of a government servant producing documents which I feel certain are non-producible in the House. If I can be assured of that I will have no hesitation whatever in having the file searched and producing any and all memoranda therein on the topic under discussion.

Mr. IRVINE: Would you be satisfied with an order of this committee to do that and let us take it up with the minister?

By Mr. Fleming:

Q. Are you not satisfied with what the chairman has said on that? The chairman has been very explicit on the right and duty of the committee to have all information.—A. I should like to be directed by the committee to produce these reports.

Mr. MACINNIS: I move the witness produce the reports.

Mr. HARKNESS: I second that.

The CHAIRMAN: We have a motion.

Mr. FLEMING: It is understood that covers all reports and memoranda from officials relating to meetings around that time that have to do with the price of bread.

Mr. MACINNIS: I do not think we can move for papers in general. I think there is a motion for other papers at this present time. If there is a motion for other papers to be had then we can move that at the proper time. I think it would be an exceedingly bad precedent to concede that government officials could keep back material from this committee when we insist on a witness from the public producing all material.

Mr. FLEMING: I wish we could get the point settled for all time, too, because we do not want to be having to go back to it. We had it up once and there was some discussion on it. If there is some question of delicacy on the part of members of the public service in these matters would it not be well for us to get the question settled now so that we do not have to come back to it in the future because we will be having other witnesses from the public service before the committee.

Mr. MACINNIS: That will set a principle if the committee agrees to it, and all that will need to be done afterwards is to ask for it.

The CHAIRMAN: Mr. MacInnis' motion is confined to the particular memoranda in question.

Mr. FLEMING: That is what troubles me. I do not think the motion is wide enough. What I have asked for—

The CHAIRMAN: That is the motion.

Mr. FLEMING: All right, but I may choose to move an amendment. The motion as it stands is confined to memoranda on this particular meeting. I will move an amendment that we ask for the production of all reports and memoranda in the files of the Wartime Prices and Trade Board relating to any conversations or conferences having to do with the price of bread around the time of the removal of the subsidies or since.

Mr. MACINNIS: If you limit it in that way I will agree and let that stand in place of my motion.

Mr. CLEAVER: May I make a suggestion?—We have not had any divisions in this committee and I do not think we want any. I would suggest that this whole problem be referred to the steering committee and if necessary consult the Department of Justice. I know that no member of the committee wants to do anything that is not the right thing to do. I am not in a position that I can vote intelligently one way or the other on this motion. I would ask the mover not to press the motion until the steering committee can consider the problem fully and take whatever advice the steering committee thinks should be taken. All parties are represented on the steering committee, and I am content that whatever the steering committee reports should stand.

Mr. HARKNESS: I second Mr. Fleming's motion or amendment.

Mr. WINTERS: Our terms of reference already call for persons, papers and things. I do not think it is qualified at all, but there has been doubt in my mind from the start as to where we should stop in this matter of producing papers. Mr. Fleming has always taken the attitude—and I think rightly so—that we as any minister are responsible to parliament. Therefore it would seem logical to me that we should be guided by the same rules that parliament is guided by. I find myself very much in the position of Mr. Cleaver on a vote of this nature, and I would stand by him in his suggestion that this be referred to the steering committee.

Mr. JOHNSTON: As far as my views are concerned on this matter it seems to me to be obviously clear that these papers do relate to an investigation with which we are proceeding. This committee took a very strong stand in regard to some of the other witnesses. Personally I cannot bring myself to think that it should not be produced. Certainly the Wartime Prices and Trade Board would not be in nearly as difficult a position as some of the private

businesses revealing some of the things they have been asked to reveal. I cannot see this is a subject of such huge importance that we should be going to such a length as this. I would certainly be in favour of supporting the motion as it stands. I do not think the steering committee should deal with this matter. The whole committee should deal with it. I do not want the responsibility to rest with the steering committee.

Mr. MERRITT: Mr. Johnston has expressed my views on the matter. I think the motion should be proceeded with.

Mr. CLEAVER: If I might remind you, right now this committee has not reached a decision with respect to certain information which the very next witness has been asked to produce and has requested he should not be called upon to produce. The committee has decided that we will receive what evidence he is willing to give and then consider the problem as to whether that is sufficient and whether we should ask for more. My experience has been—and I have been here a year or two—that these established practices do not come into force except for good cause. I do not think we should rush into it and make a decision that is contrary to established parliamentary practice without fully considering it.

Mr. IRVINE: Mr. Chairman, when I suggested that the witness be permitted to consult with his minister, I did so because I thought we were placing a responsibility on the witness which we were not prepared to assume. However, since the committee seems to be willing to take that responsibility, I see no good reason to pass it on to the steering committee, because the steering committee will have to come back to this committee for endorsement of the steering committee's decision. It would only protract the arrival at the goal sought.

I note also the amendment which has been moved to the motion. The mover of the original motion has indicated he is perfectly willing to accept the amendment as his motion, because it has been limited to a certain degree. I see no reason why we should not proceed, unless it be said by someone that in doing so we are exceeding our authority as a committee of parliament.

Mr. MAYHEW: I understood the witness to say that, in his opinion, the producing of this evidence would be clearly protected so far as parliament is concerned. He would not be asked to do it in the House. If that is the position, then I do not think he should be asked to produce the document here. I think we should be governed by the same rules as would govern us in the House. Particularly would this be so if this is going to create a precedent.

I can readily understand there are places where we might be doing more harm than good to our cause by having papers produced. We are both trying to do the same thing, to keep prices in line, and we might be defeating the very purpose we are trying to accomplish.

The CHAIRMAN: Mr. Johnston.

Mr. JOHNSTON: I will not make any further remarks at the moment.

Mr. PINARD: On this point, I have often thought that the custom was not to produce interdepartmental communications unless it could be justified by the necessity of the occasion. At page 197 of Beauchesne's Parliamentary Rules and Forms, it is stated:—

The committee can obtain directly from the officers of a department such papers as the House itself may order, but in case the papers can be brought down only by address, it is necessary to make a motion on the subject in the House through the chairman.

Referring to page 146 of the same volume, I find that the production of certain papers has been refused in the Canadian House of Commons:—

Certain papers have been refused in the Canadian Commons on the ground that the Governor General, acting as an active officer of the Imperial government, reserves to himself the right of withholding from parliament any documents the publication of which might, in his judgment, be prejudicial to the public service.'

I do not say that this is such a case. If we are to order a public servant to file interdepartmental communications, without keeping in mind that we have to follow here the same rules as are applied in the House of Commons in this particular matter, I would feel we were setting a dangerous precedent.

When Mr. Fleming opened his remarks, I thought he desired to be enlightened as to what took place at that meeting to which reference has been made so often. I would submit that the gentleman who is to be a witness is in a better position to tell us what happened at that particular meeting than anyone else. I feel that although we are here to secure all the facts, we should also take into consideration the fact that we should secure the best available proof of what took place at that meeting. The best method of securing that information, in my opinion, would be to get Colonel Ruttan's version when he comes here to testify.

In so far as the production of these documents is concerned I feel it is a dangerous precedent to set, not in so far as this particular case is concerned, but we might reach a stage in our proceedings where we will be forcing a public servant to file interdepartmental communications which would be prejudicial to the public service. For these reasons I say we should give very serious consideration to the suggestion made by Mr. Cleaver, that the matter be referred to the steering committee before a decision is rendered.

Mr. IRVINE: If there is one thing which would be more prejudicial than another, it would be to have the opinion get abroad that this committee is prevented from obtaining certain information. I believe it would be a very, very bad thing if that was the opinion which went out. For that reason I think we ought to pass this motion unanimously.

Mr. MACINNIS: Just one more word. I should like the committee to give consideration to the position in which they are putting themselves. This is a committee appointed to investigate prices. We have as a witness, at the moment, the head of the Wartime Prices and Trade Board. A question arises as to whether we can have papers from that branch or department of the service which was concerned particularly with prices. Where in the world are we to look for material in regard to prices if we cannot look for it in records of the Wartime Prices and Trade Board? Let us not be ridiculous in this matter.

I was careful not to agree to any motion Mr. Fleming might care to make which might require us to go anywhere and everywhere to get papers. However, he has limited his amendment to what I consider is reasonable in connection with this particular question. I am quite willing to make that my motion. I think we ought to pass the motion.

Mr. HARKNESS: I think so, too. We should have the question and get on with the work of the committee rather than wrangle over procedure.

The CHAIRMAN: Would you frame your motion, Mr. Fleming?

Mr. FLEMING: As I stated before it is this. That we require the production by the chairman of the Wartime Prices and Trade Board, of all reports and memoranda on his file concerning meeting of officials of the board with persons interested in bread; meetings having to do with the price of bread; meetings held at or around or since the time of the removal of the subsidy on flour in September last.

Mr. MERRITT: Up to the present.

Mr. FLEMING: Yes, up to the present.

Mr. WINTERS: Just as a matter of information, I should like to ask you this question, Mr. Chairman. I think all this information should be tabled; that is my own, personal view of it. However, in what position are we going to be placed if we ask a witness to table information here and if, by so doing, we are going contrary to the rules laid down in parliament. In the final analysis, we are responsible to parliament. Just as a matter of information, without trying to give any expression of opinion one way or another on the matter, I should like to know what position that puts us in as a committee.

Mr. CLEAVER: I made a suggestion so that the whole matter could be clarified and this committee would not have to waste time. I had hoped that suggestion would be concurred in by the mover of the resolution. It would only involve a delay of forty-five minutes because we adjourn at six o'clock. If the mover is not content, I will have no alternative but to ask for a ruling as to whether the motion is in order or not.

I do not need to remind you that quite often the speaker of the House reserves his decision as to whether something is in order, so that he may consult with the Clerk of the House or with other legal authorities.

Mr. IRVINE: That book is too obvious.

Mr. MERRITT: I ask you to put the question.

Mr. MACINNIS: I want to draw attention to a point made by Mr. Winters. The rules of the House and the rules of this committee have no legal implications. If we expand the rules of the House, then it is up to the House to either accept them or to dissolve this committee.

Mr. CLEAVER: The motion would be out of order, and I do not intend to vote on a motion knowing it is out of order.

The CHAIRMAN: Gentlemen, this is not, in the light of the question Mr. Cleaver has raised, an easy matter. My judgment—I am not making any ruling—is that the character of this committee is such that we must have all information. I believe every member of the committee agrees with that. Now, I had hoped that we could avoid this particular impasse. I think we could have. I still think we could, without in any way precluding ourselves from getting whatever information we desire, and—

Mr. WINTERS: We will face the question again, Mr. Chairman.

The CHAIRMAN: —Without raising the matter in the way in which it has been raised. However, the matter has been raised and I have no alternative, it seems to me, but to put the motion.

Mr. CLEAVER: You rule the motion in order, I take it?

The CHAIRMAN: I have no alternative but to put the motion.

If you will look at the terms of reference, you will find it is set out;—

That the committee shall have power to appoint from among its members such sub committees as may be deemed advisable or necessary to deal with specific phases of the enquiry, and power to send for persons, papers and records, to examine witnesses under oath and to print such papers and evidence from day to day as may be ordered by the committee.

Now, those are the terms of reference given to us by the House.

Mr. IRVINE: Question.

The CHAIRMAN: I am going to put the question. Those in favour of the motion? Those opposed?

There is one abstention.

Carried.

Mr. CLEAVER: I am not voting, the chair having declined to rule on the validity of the motion.

The CHAIRMAN: Let us proceed.

By Mr. Fleming:

Q. Mr. Taylor, how long do you think it would take you to dig out those reports? I undersand you cannot be here tomorrow, is that right—A. No, I cannot. I could not be here at four o'clock, but I am here.

Q. Are your papers in such shape now it would be possible for you to dig those reports out?—A. No. Frankly, I have brought the one which I could find.

Q. Could we have it?—A. There might be others. I do not know of any others, but I would have to have the files searched. That could be done tomorrow morning.

Q. Could we have the one, then, in the meantime which you brought with you?—A. This, Mr. Chairman, is the original of a letter from Colonel Ruttan to myself to which he has attached a statement which he says he gave to a meeting of certain representatives of the bakers on September 16.

Q. What is the date of his letter to you?—A. The 17.

Q. I suggest we file those as exhibits and have them read now.—A. I have attached to it a memo which I sent back to Colonel Ruttan dated the 18.

Mr. DYDE: That will be Exhibit No. 25.

EXHIBIT No. 25: Letter of September 17, 1947, from Colonel Ruttan to Mr. Taylor.

Mr. DYDE: Exhibit No. 25 consists of 4 separate sheets of paper which have been clipped together.

The WITNESS: The first is a letter marked "Confidential", from Colonel Ruttan to myself dated September 17, 1947:—

719 Metropolitan Building,
Toronto, Ontario,
September 17, 1947.

CONFIDENTIAL

Mr. K. W. Taylor,
Chairman,
W.P.T.B.,
490 Sussex Street,
Ottawa, Ont.

Dear Mr. Taylor:

Enclosed is the statement I read to the representatives of the following bakery companies yesterday:—

Brown's Bread Limited
Canada Bread Limited
Christies Bread and Cake Company
General Bakeries Limited
Westons Bread and Cake Company
Wonder Bakeries Limited

It seems to me that as is usually the case the industry will make the best of the situation and accept the 3 cent advance. In fact with the milling companies having declared their position, there is no apparent alternative.

As intimated to the bakers this may turn out to be the soundest policy the industry could adopt even if for the moment it appears to be an undue hardship.

Yours very truly,

C. M. Ruttan,
Administrator,
Bread and Bakery Products.

The statement attached to the letter which Colonel Ruttan says is the statement which he read to this meeting of bakers on September 16 is as follows:

Toronto, September 16, 1947

Meeting of Ontario Bakers

At yesterday's meeting, I told you Mr. Short had informed me that Mr. Taylor had advised him that if the price of the loaf was advanced by 4 cents there would be serious trouble for the industry, whereas a 3 cent price would be acceptable; and Mr. Short had agreed that his price would advance only 3 cents.

At your request I telephoned Mr. Taylor this morning and explained that:—

1. You wished to know whether you were still under control.
2. If he questioned the need for the 4 cent increase whether he would permit you to see him and prove your case.
3. If controls and subsidies were re-imposed that a 1 cent increase to 11 cents would be regarded by yourselves as sufficient in view of the fact that your sales were not likely to be curtailed at 11 cents nearly as much as they would be at 13 cents or 14 cents.

Mr. Taylor replied to the effect:—

1. You are completely decontrolled.
2. To be in a position to certify to the government that a 4 cent increase was necessary, it would mean that he must first make a very thorough investigation which would require approximately six weeks. I am sure you will readily understand that a complete audit of any one concern with all its branches would require that much time at least.
3. Controls and subsidies are off wheat up to 1.58½ Fort William, Port Arthur and it is definitely not the intention to reimpose subsidies.

Mr. Taylor emphasized the fact that the board no longer had control of bakery prices and that I personally have no authority in that respect. It was probably for this reason he adopted the somewhat unusual course of stating to Mr. Short that he was sure that if bread advanced 4 cents per loaf in Ontario he would as Chairman of the Board be required to institute an investigation of the industry whereas at 3 cents advance there could be no such problem.

Consequently Mr. Short agreed that his company (as did other flour mills) would not exceed 3 cents for the time being. Later if warranted another cent might be added.

Because of the apparent feeling that some of you have been railroaded into a position of meeting 3 cents when you consider 4 cents necessary, I would like to make it clear that in view of the very pleasant relationship that has existed and the co-operation I have had in the past from Mr. Short as Flour Administrator on behalf of the baking industry it is my opinion that when Mr. Short decided that it was advisable not

to exceed an advance of 3 cents that he was thinking not only of his own bread company, but of the future welfare of the industry as a whole.

That, gentlemen, is the position, and I must in no way attempt to influence your decision—in fact I was reminded that even consultation on prices is a contravention of the Regulations. This in view of all the circumstances hardly seems sufficiently realistic to deal in a practical manner with the transition from control to decontrol and I am taking it on myself to make this explanation to you.

On September 18th I wrote to Colonel Ruttan as follows:—

September 18, 1947.

K. W. TAYLOR,
Chairman.

COL. C. M. RUTTAN,
Administrator, Bread and Bakery Products,
719 Metropolitan Building,
Toronto, Ont.

I thank you for sending me the statement which you made on September 16 to a group of Toronto bakers. I think I should point out that in one respect it perhaps conveys an erroneous impression. I did not call Mr. Short of the Lake of the Woods Milling Company—he called me and he called up purely to discuss certain aspects of the flour subsidy. Toward the end of the conversation he told me that he understood that bakers in Toronto were actively considering a 4-cent increase and he went on to say that he felt this was a mistaken policy and that, so far as his companies were concerned, he proposed to take the line that a 3-cent advance was sufficient. This was entirely a voluntary and unrequested statement by Mr. Short. In the brief further discussion which followed I merely expressed my agreement that I felt he was taking the wiser course and I did add that if, as a matter of fact prices advanced more than three cents on the 24-ounce loaf, the Wartime Prices and Trade Board would have to examine its position and its duty in relation to the clear instructions we have from the Prime Minister and the Cabinet to watch decontrolled prices very carefully.

I do not suggest for a moment that you should take any further action in this matter but I thought for our files and the record that point should be straightened out."

By Mr. Fleming:

Q. Thank you, Mr. Taylor. Now there is reference in the report or Colonel Ruttan's statement of that meeting, that you considered a 4-cent increase would be unjustified and if a 4-cent increase were proposed the board would consider it its duty to institute an investigation of the industry. Now we do know an extra cent, the 4th cent, was added to the price of bread in January on some lines and in some places. You told us that you did not feel on the information you had you were justified in conducting an investigation. Now did you approve of the statement made by Mr. Ruttan at that meeting about instituting an investigation into the industry under those circumstances?—A. I did not approve of Colonel Ruttan's statement in the sense that I had not seen it when he made it, but when I did receive it I made a comment where he was in error in the statement regarding Mr. Short.

Q. I was not suggesting that you approved it beforehand. You did take action or comment on one feature of his letter but I did not note that you made any specific comment in that letter by way of disapproval of his statement about

instituting an investigation into the industry?—A. No, as I recall the statement Colonel Ruttan made, the statement is that having telephoned me he could tell the bakers an increase of greater than 3 cents would almost certainly result in an investigation.

Q. Well the increase of 3 cents in some lines came about and we find in January an additional cent was added and no investigation has come about?—A. No; four months later.

By Mr. Harkness:

Q. Mr. Taylor, I am quite interested in your information in the memoranda you read, particularly in view of this paragraph in your press release of September 18. The paragraph I am interested in is this, "If the baker raises his bread price 3 cents for a 24-ounce loaf he makes allowance not only for increased flour costs, but also for higher cost of labour and for other materials used in bread making." Now in view of that paragraph, and of this exchange of memoranda, would it be fair to say that you, or your board, indirectly set or tried to set the price of the 24-ounce loaf at 13 cents—A. No. We merely intimated to those who inquired that any increase higher than 3 cents would in our judgment be unwarranted under the circumstances.

Q. Or was that not an effort on your part to limit the increase to 3 cents a loaf?—A. Very definitely.

Mr. MACINNIS: Very commendable.

Mr. HARKNESS: I am not saying it was not commendable, I am just getting the information.

By Mr. Harkness:

Q. Well, having set this limit on that loaf, did you make any other efforts to limit the price of cheaper bread?—A. No.

Q. In other words your effort to limit the price of bread was entirely confined to the standard 10-cent loaf as it was under price control?—A. Yes, I would say that had there been a disposition, or had there been evidence, in the so-called chain stores to raise their prices by more than 3 cents I think we would have taken cognizance of the fact.

Q. You are referring now to the price of their cheaper loaves?—A. Yes. I want to make this point clear. A great many bakers in various parts of Canada had prices that were by no means uniform. I referred a moment ago to a baker, whose name I cannot at the moment recollect, who had an 8-cent price for a 1½ pound loaf. He was in one of the small Ontario towns. I know that on a number of occasions, he applied for an adjustment of his ceiling. We were not satisfied on the basis of his general financial operations that he needed the increase in price. I have been informed that after the ceiling came off and the price went to 13 cents in most Ontario towns he raised his price to 13 cents. I was not disposed to quarrel with his price, even though it was a 5-cent increase, on the grounds that he was selling bread in competition with other bakers who came into his town with 13-cent bread. As long as there was a price ceiling he was held to an 8-cent price.

Mr. MERRITT: Is that an example of what is called a squeeze on margin?

The WITNESS: Yes, except that we had not rolled back that man's price. He had established the 8-cent price himself under normal competitive conditions in 1941 and we held everybody to their maximum price. I should correct myself there, had that man applied we would have given him a 9-cent price in the spring of 1947 because we had a general policy of allowing bakers, other than chain stores, to raise their price to 6 cents a pound.

By Mr. Harkness:

Q. Well, on September 18, or shortly thereafter according to the evidence we have had so far, the price of this standard loaf did go up to 13 cents. Would you say the fact it went up to 13 cents was the result primarily of the bakers deferring to your wishes in the matter?—A. They have so alleged.

Q. Well, I do not think they have actually alleged it to us.—A. They have alleged it in other quarters.

Q. Well, in other words, you think that more or less universal price of 13 cents which they adopted was due really to your press release and other information which you gave them?—A. Not entirely, because I was voluntarily informed by one of the leading bakers he was going to 13 cents and no more. That was his policy and his decision. With that in mind I doubt if other bakers could have gone up any higher than 13 cents. But the statement issued on September 18 was deliberately issued with a view to calming down some of the excitement or what in some places amounted almost to hysteria.

Q. We have had a lot of questions here which have been along the line of trying to establish why all the bakers went to 13 cents at this particular time and at a later date why certain bakers went to 14 cents. What I was trying to get at was whether the adoption of that more or less universal price was the result really of the information which you have just given to us and which you indicated you passed on to the bakers at that time?—A. I think that if one of the leading bakers announced a firm price of 13 cents and held to it other bakers are very unlikely to be able to go beyond that price. On the other hand, a lot of less expensive bread continued to be sold, my recollection is, at the two-for-15 price or the 8-cent-straight price; it carried on for a week or ten days and the price went to 13 cents on behalf of most of the standard bakers.

Q. Were it not for this particular information from you there might be considerable suspicion in our minds that this universal price was the result of a combination among the bakers. That is why I think it is important to establish the fact whether in your opinion the bakers were really acting on what amounted to your suggestion.—A. I think that our press statement and my warning probably had some bearing on some of their decisions. But I do want to emphasize that before I made any statement to the bakers one of the largest bakers telephoned me and volunteered the information that he was going to 13 cents but no higher.

Q. This larger baker you are referring to is Mr. Short of the Lake of the Woods Milling Company is it not? By the way, is the Lake of the Woods Milling Company also in the baking business?—A. The Lake of the Woods Milling Company, I am informed, controls or has interests in the baking trade; one of its subsidiaries is the Inter-City Baking Company which has a number of further subsidiaries in the sense of individual bakeries in other communities.

Q. Is that all?—A. Brown's Bread, if I am not mistaken, is operating in Toronto. My recollection is that I telephoned Mr. Short that morning regarding prices of flour and mill feeds and at the end of this conversation with one of my colleagues on the board he volunteered the information, personally in his capacity as a private businessman, that that was the position he had taken in his own business. I replied that I thought it was a wise and proper decision. I later telephoned Colonel Ruttan and I told him I thought 3 cents was ample in all the circumstances which then prevailed; and I was reasonably certain on the basis of the information which Mr. Short had given me that whatever happened his company was going up only 3 cents.

Q. I think that clears up the point. There is one other small point which has some bearing on that, it is the matter of mill feeds which you mentioned.

They have gone up in price, they went up at the same time the subsidy came off and it thereby brought down the price of the flour to the miller. Was the subsidy taken off of mill feed at that time?—A. Yes.

Q. So if the millers could put mill feed up as much as they wanted to it would bring down the price of flour?—A. We expressed views suggesting as little increase as possible on mill feeds.

Q. What was your suggestion in regard to mill feeds?

Mr. MacINNIS: Have you got any more letters?

By Mr. Harkness:

Q. I am just asking you, what did you suggest in regard to mill feeds?—A. I had some talks with Mr. Short and our own administration on the flour and mill feed prices some time before decontrol. We knew that decontrol was coming along shortly and I told him that in my judgment an increase of more than \$10.00 a ton on mill feed would be undesirable. It was not so much a matter of the position of the milling companies; it related to the whole live stock feeding program. We had barley on a ceiling, and oats were under ceiling at that time. After general consultation with other government officials I told him some time before decontrol that when the time came I rather hoped the price increase in mill feed would be held down to an increase of not more than \$10.00 a ton.

Q. In fact were the prices of mill feeds held down to the increase of \$10.00 a ton?—A. They were for some time. That price carried along for some time. More recently the price has fluctuated considerably.

By Mr. Winters:

Q. I understood Mr. Taylor to say that before the action of the board with regard to prices around September 18, they had seen the figures and that the bakers were not in a bad position. Would you care to comment on that?—A. I should elaborate on that. Their financial statements are available only at irregular intervals. The companies of course have varying fiscal years. I would say that in September of 1947 we would have had the financial statements for those that were available for the year which corresponded in most closely to the calendar year 1946—in some cases their fiscal years ends March 31 while in others they use the calendar year. Our judgment, on the basis of everything we had before us and what we knew of costs at that time, was that when the bakers made representations to us in May or June or July, asking for a price increase, we were not prepared to approve their requests on the ground of the information available—because their financial position was in our judgment satisfactory.

Q. Does the standard profit enter into the measure of whether or not their financial position is satisfactory?—A. Yes. I do not want to diverge to another point too far, Mr. Chairman; but our general test of the adequacy of the financial position of a company was normally but not exclusively related to standard profits. There have been cases when we took the view that even when they got below standard profit we still could not accept the view that they were in a difficult financial position. But generally speaking standard profit—that is the average profits for the years 1936 to 1939—were accepted as being at least prima facie indication of a tolerable financial position.

Q. At the time of the increase do you know if any of these companies were not making their standard profits?—A. Oh, there would be some. Out of my own recollection now I cannot name any of the larger companies that were not. I think they were all at or beyond their standard profit level. It is, of course, difficult to analyse some of these financial statements, because some of these bakeries have other lines of business and it was not always possible to segregate specifically the bakery figures.

Q. Do you know of any which were operating at a loss?—A. I think there were some in our records, what I would regard as fairly small companies, who submitted financial statements to us, but who do not normally publish their statements.

Q. Do you recall whether that would apply to General Bakeries?

Mr. CLEAVER: I can give you a line on General Bakeries. Their financial statement was tabled at the close of the morning session. It shows a net income after taxes of just over 10 per cent for the year ending with that financial statement.

The CHAIRMAN: What is that?

Mr. CLEAVER: It is marked as an exhibit.

The CHAIRMAN: Yes, the last one filed this morning. Did you say 10 per cent?

Mr. CLEAVER: Yes, a little better than 10 per cent.

Mr. HARKNESS: Was that 10 per cent on invested capital?

Mr. CLEAVER: Yes, on their employed capital, including reserve.

By Mr. Winters:

Q. And when you say the bakers were not in a bad position were you speaking of individual concerns or were you speaking collectively of the business?—A. No. Let me qualify that. There are some 4,000 bakeries in Canada and it would be very surprising if some of them did not show a loss. Some of them probably were making a loss in the most prosperous times.

Q. But they were all in a fairly good position?—A. In our judgment there was no adequate case made out prior to August of 1947. I can't recall exactly, but I think the last time I saw a group of bakers at their request was in the middle of July, 1947. At that time I told them that I was not satisfied to authorize any price increase based on the figures we had before us. They were stating—and I do not question their good faith in the matter—that since the end of their previous fiscal periods conditions had materially worsened. They produced statements which I presume were made out in good faith showing losses in certain weekly periods. Our experience has always been that interim financial statements are liable to substantial modification when the final audited statements for the year are completed. I think that is an inescapable aspect of modern accounting. So that in July of 1947, when two bakers came together to see me to put forward figures showing that they were now beginning to run into the red, I told them that I could not accept those figures at that time but in due course if things looked more serious, we could if they desired put an auditor in and examine their books very carefully. Then, of course, six or eight weeks later decontrol came into effect.

Q. At that time do you know of any of these companies making profits in excess of standard profits?—A. Their statements are mostly a matter of public record, and I am sure that quite a few of them were.

Q. Generally speaking you considered the profit at that time adequate for the industry?—A. Yes, otherwise we would have made a very serious investigation to see what could be done either in the way of reducing their costs or taking whatever steps might prove necessary.

Q. And in the light of that you thought that a 3 cent increase would cover the subsidy and normal operating cost increase; in other words, you considered that 13 cents was a fair price?—A. We have been very careful not to specify a fair price, but we have said—

Q. Inadequate profit, I realize that.—A. I feel I must say this: that not only bakers but the boot and shoe industry and any other industry show a wide variation in profits; but it would be a fair preliminary presumption that if

one firm makes a fairly high profit in comparison with other industries, it will be a reflection of certain advantages. It may be a reflection of more advantageous location. It may be a reflection of greater efficiency. It may be a reflection of half a dozen other things. And the board never took a view that the making of profit as such was wrong and improper. All we said was—there is the ceiling price and there is no use in coming to us for any relief from your ceiling price unless you can show you are being very seriously financially embarrassed. And where a firm was making its standard profits we did not spend a long time talking to them.

Q. If I might ask one more question, Mr. Chairman. It is not related to that, but I think Mr. Taylor as Chairman of the Wartime Prices and Trade Board could answer. Did Mr. MacDonald, the Secretary Treasurer of General Bakeries, ever work for the Wartime Prices and Trade Board?
—A. Yes, sir.

Q. What was his capacity with the board?—A. He came to us from the University of Manitoba in April, 1940, as our statistician and director of our very modest, at that time, research division. He remained in that capacity until early in 1942 when he either immediately went to the Commodity Prices Stabilization Corporation, or there may have been an interregnum when he left the board's employ for a few weeks. Certainly from 1942 until a date with which I am not familiar, but some considerable time ago, he was with the Commodity Prices Stabilization Corporation. He left the board's employ, both in a direct and indirect sense, some considerable time ago. I understand he was in the United States. I know him well but—

Q. In any of his capacities with the board would he normally have had contact with Colonel Ruttan?—A. I would think that was highly unlikely, until such time as he became associated with his present company which I think was in the spring of 1947. I remember seeing his picture in the paper at the time. I myself had not seen Mr. MacDonald for quite a long time until yesterday.

By Mr. Pinard:

Q. Were you consulted or approached by other milling companies than the one you have mentioned already during that period when the subsidy was removed on flour?—A. Not that I recall. I should explain that our practice was that the chairman of the board as far as possible kept away from the detail, and we left our administrators a pretty free hand. We always have consultations, and when a particular issue arises you get in touch with the administrator and consult with him—and I do not want to use the words in the literal sense—give him instructions on that item. I had many conversations with our administrator in the flour industry.

By the Chairman:

Q. You give him persuasive suggestions?—A. In the whole field of decontrol we were most anxious that the transition from a completely controlled price system to a free price system should be done without unnecessary ups and downs in prices. It was our not uncommon practice to consult with administrators, to invite their opinion as to what would happen if you decontrolled. I am going back over the past two or three years. If the administrator told us he felt prices would go up to a certain level we would think perhaps we had better not decontrol that just yet, but had better wait until the competitive situation had become a little better balanced.

Certainly in the flour and bread field, which are very closely related. I had numerous conversations going back over a period of twelve months prior to September, 1947, with the administrators as to the appropriate time of decontrol, what would happen if we decontrolled, and so on. I think it is fair to add

that Colonel Ruttan as administrator was, of course, much more up in the firing line, so to speak. He was the buffer between the chairman and the industry. He used to have a great many representations regarding the difficult financial position developing in the baking industry which he would bring to my attention orally from time to time, and on occasion at his request I would see certain individual bakers.

By the Chairman:

Q. Mr. Taylor, I do not think we want to keep you here tomorrow, but I have one question. Can you assist the committee as to what you think about the present price of bread?—A. No, except to say this, that in our judgment a 14 cent price for what I call the standard loaf is not at a level which would warrant any formal action. It does not fall clearly beyond the line of the unreasonable and unjust. There are, of course, communities where bread is still being sold at 13 cents and, of course, there is bread being sold at 10 cents. There are some communities in Ontario in the more northerly parts such as Timmins where I think the price is now 15 cents. However, I think it has been not uncommon for prices in the more remote areas to be a cent higher than in the more densely populated areas. There are increased freight costs, and other costs of materials are somewhat higher.

By Mr. Fleming:

Q. You indicated to the chairman you did not think the 14 cent price even in the metropolitan areas warranted proceeding against those charging it?—A. No.

Q. I suggest it goes further than that in view of your earlier answers. You did not consider that it even warranted investigation apparently?—A. Not investigation in the sense of putting in accountants and auditors, no.

Q. May I ask this question? In your capacity as chairman of the Wartime Prices and Trade Board you came in contact with a great many industries and lines of business. How do you assess the degree of competition in the baking industry with that you find in other industries?—A. It used to be said in the board that every time you met an industry for the first time they always explained they were the most competitive industry in Canada, and there was always a certain element of validity in a statement of that sort.

Competition, of course, can take a variety of forms. In some areas price competition is at least partially replaced by what we commonly call service competition. I would say further for what it is worth as a general impression that the baking industry is pretty competitive. It is, of course, one of the paradoxes of the competitive system that if you have perfect competition you must have uniform prices in the sense that prices must settle down to a uniform level. It is an old economic dogma that you cannot have two prices for the same goods at the same time in the same market if you have perfect competition.

The CHAIRMAN: You are not suggesting—

The WITNESS: Mind you, I said settle down to approximately the same price.

By Mr. Fleming:

Q. Do you consider prices have settled down now within the meaning of your expression? —A. I do not know what prices are being charged in every community in Ontario.

Q. I am speaking of the over-all picture as you see it.—A. What I mean by settling down is this, that if any large and leading baker in a community were to cut his price tomorrow morning a cent below the present price, in the

course of time the general level of prices would settle down to that level or he would come back to the other level. I do not think two prices for the same commodity and the same degree of service are likely to persist indefinitely in the same market.

Q. Then I take it if there is competition in this industry you would expect to find uniform prices? Is that what you are saying?—A. I was venturing into the rather academic field of the general theory of competition, that you would normally expect in a highly competitive market the same price to prevail for the same commodity with the same terms and conditions in what you might call the moderately long run. In the most competitive markets of all, namely, where you have organized exchanges, there is, of course, an almost instantaneous equation of prices.

Q. I am interested in that because we have been asked to draw inferences in these last several days from the fact that prices seem to be fairly uniform in bread. Now, do I understand what you are saying is that if the industry is competitive you would expect to find prices uniform?

Mr. CLEAVER: Reaching uniformity.

The WITNESS: What I would not expect to find is that all prices would move up at the same moment of time and move down at the same moment of time, but I would expect prices to reach uniformity.

By Mr. Fleming:

Q. Moving up was there any surprise occasioned to you by the rise in prices, whether you regard it as uniform or otherwise, that followed the removal of the subsidy in September, again confining our consideration to bread?—A. In one sense there was no uniformity in the increase at that time. In Toronto, to take one particular example, there was, I understand, a pretty general increase in price by all leading bakers on the following Thursday or Friday. Decontrol took place on Monday. What are normally called chain stores kept their old price for a week or so later. I have been told—I did not check the detailed stories—that the various chains did not change on the same date. They would probably change within a day or two of each other, but I have no record of actual prices charged.

Q. Surveying all that evidence have you any opinion to assist the committee as to whether this kind of evidence suggests uniform action in the direction of a combine or price fixing?—A. I would not want to express any opinion on that line. The Wartime Prices and Trade Board has always—certainly since the decontrol period—kept the Commissioner of the Combines Act fully informed of all the bits and pieces and scraps of evidence or stories or rumours that came our way. We passed on to Mr. McGregor such information as came our way and he in turn, partly as a matter of economy in staff, passed on to us certain information which he got on actual price levels. We had staff in some places where he did not have staff and he had staff in one or two spots where we had no official located. There was a constant interchange of information, but I did not feel it necessary to pass judgment as to whether I believed there was a combination. I knew Mr. McGregor was actively interested in that particular aspect of it.

Q. Are you referring to the period following September last?—A. And before.

Q. But you are including the period from September last?—A. Oh yes.

Mr. IRVINE: Are you nearly finished? Do you want to finish tonight?

Mr. FLEMING: I have several more questions. I do not want to delay the committee.

Mr. IRVINE: It is past six now.

Mr. FLEMING: Is it going to be difficult for the witness to be here?

The WITNESS: Mr. Chairman, I said I could not be here at 4 o'clock and I came. I have to catch the 7 o'clock train tomorrow morning.

Mr. FLEMING: I do not want to interfere with that. Could I ask one or two more questions along the line previously followed and then he could come back later?

The WITNESS: I had to cancel one meeting this evening which I postponed until tomorrow morning.

By Mr. Fleming:

Q. I will ask a couple now. Did you find in your dealings with the baking industry, and such studies as you or your officials made of costs of the different companies engaged in the baking industry, very great differences in their costs of production?—A. Yes, they could be quite substantial.

Q. Did you find that there were great differences in costs of the different companies engaged in the baking industry?—A. Yes, we had a system whereby the individual company's records were not available to administrators. We did that for the very obvious reason that so many of our administrators were, of necessity, drawn from the trade. Our accounting and audit division supplied our administrators with the composite picture, broken down in some cases between large companies, medium sized companies and small companies.

In my official capacity, I had the right to look at the individual returns, but I rarely did so. I do know that between different companies, and between large and small companies, there would be quite significant differences in the ratio of cost to selling price.

The committee adjourned at 6.05 p.m. to meet again on Friday, February 27, 1948, at 11.00 a.m.

Doc
Can
Jon
P
CAI XE
-45-1162

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

FRIDAY, FEBRUARY 27, 1948

WITNESS:

Mr. Charles M. Ruttan, Director, Ontario Bakers' Association, Toronto.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.H.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



MINUTES OF PROCEEDINGS

FRIDAY, February 27, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Fleming, Harkness, Irvine, Johnston, MacInnis, Martin, Mayhew, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. Charles Millidge Ruttan, Director, Ontario Bakers' Association, Toronto, was called, sworn and examined.

At 1.05 p.m. witness retired and the committee adjourned until Monday, March 1, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

February 27, 1948.

The Special Committee on Prices met this day at 11 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will come to order, please.

Mr. IRVINE: Mr. Chairman, I believe you were going to call Colonel Ruttan.

The CHAIRMAN: I believe that is counsel's intention.

Mr. IRVINE: Just before his evidence is taken I would like to bring a matter to the attention of the committee which seems to me to be of importance. I would like to ask you, sir, if you would direct the steering committee to give consideration—and if it is necessary to make a motion to that effect I would do so—to this matter: Although the committee has not yet had time to make a report, I think the committee will agree with me when I say that the evidence before the committee shows that prices have risen fairly sharply since the removal of controls and subsidies. For instance, in the case of butter, fruit and bread, that has been shown I think to be the case; and the government has reimposed controls on butter and fruit and for all we know it may do so on bread. Now, on March 8 the measure on rent control is to cease and this event will almost certainly be followed, as in similar cases, by a rental increase; and a rental increase will sooner or later reflect itself in increased overhead.

Mr. WINTERS: I am just wondering if this is in order.

Mr. IRVINE: If you will just give me one more moment I will be able to finish.

The CHAIRMAN: You think this is a matter the committee should be considering?

Mr. IRVINE: Yes.

The CHAIRMAN: You will recall when Mr. Fleming made a suggestion last week, I suggested to the committee and the committee agreed, that in respect of any matter the committee though it would like to have studied, before raising it in the full committee it would be raised in the steering committee. Mr. Fleming will remember this point when he made the observation to the committee and the committee universally agreed on that course. I think it is a proper course to adopt.

Mr. IRVINE: I was just going to ask you when I stated my point if you would agree to do that, because my point is that I think this control will come off on the 8th and if the matter is going to be considered before controls come off now is the time that we should consider it.

The CHAIRMAN: Yes, but the point is that the matter would first be raised in the steering committee before it would be raised here. Now you have put a question, and Mr. MacInnis sits in on the steering committee; you could take it up with him, or you could address a letter to the committee, either one, and bring it to the steering committee's attention first, before raising the issue here. Then the steering committee could consider it.

Mr. FLEMING: May I say that subject has already been referred to the steering committee and the steering committee has it under consideration and should report on it.

Mr. IRVINE: I would like to move that the steering committee be asked to make a report on this question on Monday.

The CHAIRMAN: I propose that the steering committee meet today to consider this matter and other matters and it will make its report just as quickly as it is possible under the circumstances. I suggest to you that we leave it that way. I have tried to encourage the committee to avoid motions. I think we get along better that way, and I think I have indicated a sense or a disposition to be fair in the matter, and I think if you leave it there it will be dealt with expeditiously.

Mr. MACINNIS: I think this a matter the committee should decide. Mr. Fleming already had raised this matter in the steering committee some considerable time ago. There was a question of our competence to deal with it there, but because of the urgency of the matter and the time when the control would be removed, I think the motion made by Mr. Irvine is not unreasonable; that the steering committee should be instructed to report to the full committee on Monday, or not later than Monday.

The CHAIRMAN: That will be done.

Mr. MACINNIS: That is fine.

The CHAIRMAN: The steering committee will consider the matter and report to the committee. Now will you proceed, Mr. Dyde?

Mr. DYDE: At the request of the committee I have asked Colonel Ruttan to be present and I would like him to be sworn.

Charles Millidge Ruttan, Director of the Ontario Bakers' Association, sworn:

By Mr. Dyde:

Q. Would you give the committee your full name?—A. Charles Millidge Ruttan.

Q. You will have to speak louder.—A. Charles Millidge Ruttan.

Q. Your address?—A. 322 Inglewood Drive, Toronto.

Q. Your present occupation?—A. Director of the Ontario Bakers' Association.

Q. In September 1947 what was your occupation?—A. Administrator of Bread and Bakery Products, Wartime Prices and Trade Board.

Q. Which post you left when?—A. October 31 I believe

Q. You have had an opportunity, Colonel Ruttan, of reading Exhibit 25 have you?—A. Yes.

Q. There are one or two points with regard to that exhibit that I would like you to clear up for the committee. I noticed that on September 17 you wrote a letter or memorandum to Mr. K. W. Taylor, dating it September 17, and you say in that letter that you are "enclosing a statement which you read to the representatives of the following bakery companies yesterday," and so the enclosed memorandum or statement would be the statement that you read to them on September 16?—A. Correct.

Q. Then I turn to your memorandum dated September 16, and the first sentence of it reads this way. "At yesterday's meeting I told you Mr. Short had informed me that Mr. Taylor had advised him," etc., so that in your memorandum of September 16 you are referring to a meeting which took place on September 15, are you?—A. It would look like it.

Q. Do you recall meeting the representatives of the baking companies on both September 15 and 16 in Toronto?—A. I would not be positive but certainly there were two meetings, either one in the morning followed by one in the afternoon, or one on the preceding day, as this indicates.

Q. Certainly the document indicates it was on September 15?—A. Right.

Q. Do you recall how you happened to be at a meeting on that date?—A. Well I would say in the same manner as I attended numerous meetings of that kind. Certainly bakers would have a problem and call me up and there would be some discussion and the answer would be, "Well the bakers had better meet and discuss this problem."

Q. Your office was in Toronto?—A. Yes.

Q. And you were available in Toronto as a government servant?—A. I was.

Q. And you cannot recall however, exactly who called you to come to a meeting on September 15?—A. No, I cannot, definitely, because there were so many meetings at that time or being held about that time. For that matter I might easily have called the bakers myself after two or three had spoken. There was no import placed on that, it was a customary procedure to meet these lads when they wished to have a meeting.

Q. Do you recall the names of the gentlemen who represented the companies referred to in Exhibit 25? I do not want you to waste time if you do not recall, but have you a recollection of any of them?—A. Well referring to the list, Brown's Bread was Mr. Cotter; Canada Bread was Mr. Loftus and Mr. Antliff; Christie's Bread, Mr. Wilson; General Bakeries—I have since read the name in the evidence but I would not have been able to tell you as I would have made the mistake of thinking their general manager was there; Weston's was Mr. Manning; and Wonder Bakeries, Mr. Dutton.

Q. Do you recall whether any other gentlemen were at the meeting on September 15?—A. Not that I recall.

Q. Were the same gentlemen there on September 16?—A. I would say practically the same group.

Q. Do you recall any telephone conversations with Dr. Taylor with respect to either of those two meetings?—A. Yes.

Q. What were they?—A. Well, I believe I reported to him the feeling of the bakers in regard to the meeting. Certainly I wrote him afterwards covering what had been said and that is here in this exhibit.

Q. Would there be anything in your telephone conversation to Dr. Taylor that is not covered by the memorandum?—A. Well, I do not think anything of substance on this point.

Q. So that on September 15 there was no written document, and on September 15 you were at a meeting. Was it in the King Edward Hotel also?—A. The King Edward Hotel.

Q. You were at a meeting there and can you carry your mind back sufficiently to say who opened the proceedings at that meeting?—A. I do not mean to ask who was the chairman but who spoke the first words with reference to the subject under discussion?—A. I am sorry I could not tell you that.

Q. Do you recall anybody saying anything at that meeting?—A. Well, if I stopped to think it over I do not know that I could tell any one individual made any particular statement, but there was a general discussion in regard to the effect of the subsidy on flour coming off.

Q. And can you give the committee the general substance of that discussion?—A. I would say generally it was a question of what would be the effect on the industry. Certain bakers pointed it out to me; I cannot, as I say, state which individual; but the question was forcibly brought to my attention that the removal of the subsidy on the 24-ounce loaf was going to result in a 2-2 cent difference in the cost of the production of that loaf leaving .8 cents to take care of all the increases in all the products that the bakers had used—general supplies, equipment, increases in wages and one thing or another—four-fifths of a cent to take care of these increased charges from 1941 to 1947.

Q. That was on the assumption that there would be a 3 cent rise in the price of bread?—A. Quite.

Q. But how did the question of the 3 cents rise come up?—A. Well, as a matter of fact, I was telephoned by a representative of one of the milling companies who operates a bakery.

Q. Who was that?—A. Mr. C. H. G. Short.

Q. What was his company?—A. Lake of the Woods Milling Company.

Q. Yes?—A. And he advised me that his company was not going to advance it more than 3 cents and that he had had a talk with Mr. Taylor.

Mr. FLEMING: An advance of, what?

The WITNESS: The price of his 24-ounce loaf, he was not going to advance it more than 3 cents.

By Mr. Dyde:

Q. Does his company sell a 24-ounce loaf of bread to the trade?—A. Yes. You mean Mr. Short's company?

Q. Yes?—A. No, its subsidiary.

Q. What is its subsidiary?—A. This particular one in Toronto was Brown's Bread.

Q. And then it was apparently with reference to Brown's Bread that he was speaking about the 3-cent increase?—A. His own firm.

Q. And when did that information which you gave to the meeting either on September 15 or September 16; when did you give the meeting that information as to what Mr. Short was going to do?—A. Shortly after I received it.

Q. Can you recall whether that was September 15 or September 16?—A. It would be at the later meeting evidently, whichever that was.

Q. Well then, can you fix the time Mr. Short called you; was it at the end of the meeting or after the first meeting, or can you remember?—A. I cannot definitely remember but I think it was after the first meeting. I would have to check that up, to look it up.

Q. You have no records you can refer to, or have you got records?—A. No.

Q. So that you will not be able to place exactly the time that Mr. Short phoned you?—A. I think I could check it. I could get the information from Mr. Short himself.

Q. I want your recollection on it, Colonel Ruttan; and you have no record to which you could turn to check?—A. No, I have not.

Q. What is the best statement that you can give the committee as to your recollection?—A. Well, I would say it was between the two meetings.

The CHAIRMAN: Speak a little louder please, Mr. Ruttan.

The WITNESS: Sorry, it was between the two meetings, yes.

By Mr. Dyde:

Q. Do you recall whether it was the afternoon?—A. No, I think it was at noon. I know it was the afternoon meeting when I reported this statement.

Q. Now, when you read to the meeting of September 16, the memoranda which is a part of Exhibit 25, can you recall any remarks that any of the attending representatives made at the time?—A. Yes, I would say there was a feeling on the part of all those present that they were being more or less railroaded.

Q. In what way?—A. They naturally could not increase their prices to what they felt was a reasonable level.

Q. Did you hear anybody say what they thought was a reasonable level?—A. I can't say that I did. They were talking about necessary increases in the price. Some time back I had been presented with a resolution from the General Bakers Association of Ontario and at that time they said it was to cover costs apart from the flour subsidy. That apparently kept sticking in their minds and they seemed to think that the 2·2 cents for the flour ought to be more.

Q. Do you recall any prices that were mentioned other than 13 cents a loaf?
—A. I cannot say that I do. I do not like to be too definite about this.

Q. Well, did the gentlemen at the meeting agree that 13 cents was the price that should be set?—A. Certain of them felt that it was too low a price.

Q. What did they want?—A. They wanted more. They wanted to get it up sufficiently to take care of what they considered were the charges, and I believe an extra cent was what they had in mind.

Q. Four cents rather than three?—A. Yes, four cents rather than three cents.

Q. Do you recall anyone remarking that the price should be 15 cents?—A. I cannot say that I did. Someone might have because I know there are places where they are selling bread at 15 cents; for instance, in parts of northern Ontario, up north there; somebody might have mentioned that price.

Q. Following that September 16 meeting did you have any further meetings with the representatives of the bakeries?—A. No, not officially in regard to this matter.

Q. Did you have any unofficially?—A. Not that I recollect. You are talking about while I was with the board, of course.

Q. While you were with the board, of course; your first answer was "not officially", and that infers that you had some meetings of some kind with them and I wanted to be sure on that point. Now, was there any informal meeting that you had with any bakery representatives following September 16?—A. Not that I can recollect.

Q. None at all?—A. Not that I recollect.

Q. Did any of the representatives of the bakeries make any representations to you with regard to price after September 16?—A. I doubt very much if they did. That price is very definitely settled, 13 cents. There would be no object in their making any.

Mr. DYDE: Thank you, Mr. Chairman; that is all for the moment.

By Mr. Fleming:

Q. Just following up that last answer, the price was definitely settled at 13 cents; what do you mean by "settled"?—A. I mean by when a certain large baker states he is going to sell at 13 cents competition compels the others to meet that price regardless of what they think they should sell at. They had to back down to that price.

Q. Colonel Ruttan, just following your last answer, what we know from the evidence we have received about the increase in the price of bread that followed later in September makes this expression of yours about settling the price of bread at 13 cents of special interest.—A. I said the price was settled, didn't I, at 13 cents?

Q. Do you mean it was settled later or settled at the meeting?—A. I mean the fact that a large baker decided he was going to sell at 13 cents compelled the others to sell at that price and not above it.

Q. When you say a large bakery are you referring now to Brown's Bread?
—A. Yes.

Q. So that what you are saying in effect is that Brown's Bread having decided they would sell at 13 cents they were compelled by competition to adhere to that price?—A. Yes.

Q. You talked about two meetings this morning and I am not quite clear about the two meetings. We understood that the meeting was held or that the meeting we have been talking about was held on a Monday and someone had said that was the 16th of September. Can you give the committee the right sequence of these two meetings?—A. As a matter of fact I am a little puzzled myself. I thought there were two meetings, one in the morning and one in the afternoon of the same day but this correspondence would indicate that one was held the day before the other.

Mr. DYDE: I think I am right in saying that the 16th of September was a Tuesday.

Mr. FLEMING: Someone told us that Monday was the 15th, so it misled a witness yesterday when somebody stated that Monday was the 16th.

Mr. DYDE: That is right. I think we did mislead the witness.

Mr. FLEMING: I think Mr. Kelleher said it was a Monday that he attended the meeting.

The CHAIRMAN: He said that he understood the board's order only came in Sunday.

Mr. FLEMING: He said that it was a Monday but I think someone here said that it was the 16th.

By Mr. Fleming:

Q. Now, you say that you attended two meetings?—A. I attended both, sir.

Q. You were present at both?—A. Yes.

Q. Was the latter in any sense a continuation of the first meeting?—A. The later meeting was to give the bakers actually what happened as indicated in that exhibit there. Word had come through from Mr. Short.

Q. Do I understand this was the sequence then; that you had a meeting in the morning and you went to that meeting and then you got instructions from Mr. Taylor as to the statement to be made to the bakers and then at this afternoon meeting you submitted to them the statement which appears now in Exhibit 25?—A. I would not say that I received instructions from Mr. Taylor, rather that I received a telephone call from Mr. Short and he advised me what he was going to do. He said that he had been talking to Mr. Taylor and something to the effect that his company was going to sell at 13 cents settled things; and, as I said, settled because of competition. I simply so informed the other bakers.

Q. Oh, I see. You did not have any communication with Mr. Taylor between the two meetings?—A. I do not think so.

Q. I was wondering from what you said whether you had received instructions from Mr. Taylor?—A. I didn't get any instructions from Mr. Taylor.

Q. Or a suggestion as to making such a statement?—A. There had been previous talks along that line. I think it was the viewpoint of Mr. Taylor that the price should not exceed 13 cents. That was the understanding I had. That is all that he gave me that I can say.

Q. You had that intimation from Mr. Taylor before the meeting, and I take it you conveyed that to the meeting?—A. Yes, but it was not because of what Mr. Taylor had said but simply because Mr. Short told me himself definitely that he was not going to increase his price beyond 3 cents, and he had that talk to Mr. Taylor a couple of days previously.

Q. When was your conversation with Mr. Short?—A. I believe it was between the two meetings.

Q. Now, in Exhibit 25, in the letter you have written to Mr. Taylor, I read one paragraph. This is your letter of September 17. After referring to the fact that you had made representations to the bakery companies, you say yesterday—that is the 16th?—A. Yes.

Q. It seems now that it is a Tuesday. You say: "It seems to be that as is usually the case the industry will make the best of the situation and accept the 3 cent advance. In fact with the milling companies having declared their position, there is no apparent alternative." Have any of the milling companies other than Mr. Short of Lake of the Woods Milling Company declared their position?—A. Yes, I believe Mr. Dutton made a similar statement.

Q. What company is he related to?—A. Wonder.

Q. What company?—A. I think that is the baking company he represents.

Q. That is not what I asked you. I was referring to milling companies. Were there any other milling companies other than Lake of the Woods?—A. I understand Mr. Dutton did receive similar instructions from his milling company.

Q. Which milling company is that?—A. Ogilvie's.

Q. Were there any other companies you had in mind when you wrote that letter?—A. No, only the two.

Q. That company had declared its position which was that the price was going to be kept at 13 cents with the result that the others you say were by reason of competition compelled to hold their price at 13 cents?—A. Right.

Q. Were you present throughout the two meetings?—A. I think I was.

Q. You were there right to the end?—A. I think I was.

Q. Was there any attempt—shall I put it this way, when the meeting adjourned was there a decision reached, or was it a case of an exchange of views?—A. That was no decision reached. It was an exchange of views, as you say. They were definitely told—

Q. Are you quite sure?

The CHAIRMAN: Just a minute, let the witness finish.

Mr. FLEMING: Pardon me, I thought he was finished.

The CHAIRMAN: I do not think the witness had finished.

Mr. FLEMING: Had you finished your answer?

The WITNESS: I have lost the point to that anyway.

The CHAIRMAN: You see, he had not finished.

By Mr. Fleming:

Q. Are you quite sure there was nothing more at that meeting than an exchange of views?—A. Do you mean by that was there an agreement as to selling price?

Q. Yes?—A. No.

Q. There was no agreement?—A. No.

Q. Nothing more than an exchange of views?—A. No.

Q. You had all the large distributors in Toronto represented at that meeting, had you?—A. I would think so, yes.

Q. Were the representatives there gathered simply the interests in and around Toronto or interests more widely scattered throughout Ontario?—A. Throughout Ontario.

Q. Were these prices that were under discussion the prices that were to prevail throughout Ontario or simply in the Toronto area?—A. Well, wherever these people operated, I presume.

Q. It was not just confined to Toronto and the Toronto area?—A. Nothing particular was discussed in that connection that I recall. I took it for granted naturally they would not advance one place out of line with another.

Q. Was there any discussion about Ottawa and Montreal?—A. I do not remember.

Q. Would you normally be discussing Ottawa and Montreal prices at a meeting of that kind held in Toronto with those representatives?—A. No, we would not be discussing those prices.

Q. Were you in touch with bakers' costs at this time?—A. In a sense. There was a meeting back as far as April, and frankly this meeting we are discussing here was the culmination of a series of meetings commencing back in April when the national council of the baking industry met at the Chateau Laurier hotel and invited the chairman of the board and other board officials to listen to their argument for recognition in the way of an increase in the price of their bread. At that time the chairman could not concede it. The figures indicated

up to date the baking industry had been getting along reasonably well, but their complaint was that all these charges had become cumulative and were then striking very hard, and certain claimed at that time that on their bread operation as distinct from their cake and sweet goods they were losing money. The difficulty was to have any kind of accounting that would enable us to keep pace with these rapid changes which the bakers claimed were taking place. It was suggested then that they get out, those of them who could from their accounting systems, a monthly statement that would show the trend of their profits on bread and sweet goods separately. This was done, and certain of the companies sent me those statements. I think though probably anything I say to you in regard to what those statements showed is more or less hearsay. You can get that from the bakers themselves. They will tell you exactly what the trend was.

Q. We will probably be hearing from them, but can you make any statement from your recollection of the contents of those statements?—A. My recollection of certain of those statements indicates they were losing money on their bread in July, August and September. Probably even before that some of them were in certain operations.

Q. What about other products, cakes and sweet goods?—A. As a rule those showed a profit, but most of those profits were declining. The principal feature, I think, of that situation is that the bakers had shown in their April meeting that their cakes and sweet goods were carrying the bread, and as they saw the supply of shortening and sugar becoming more available to the housewife they naturally believed that the volume of their sales would be reduced.

Q. That is sales of the sweet goods?—A. Sales of the sweet goods, people making more of their own cakes and other things, and their volume would be reduced, and therefore their sweet goods would be unable to carry their bread. In other words, they felt bread must itself become self-sustaining or self-supporting. They could not carry on that way. That was the argument put forward to me at these meetings.

Q. To what extent was it any part of your duty as administrator to inquire into these arguments to determine whether or not they were valid?—A. Well, after all some of these men were my own advisers. Take the case of the Christie Bread Company. Their manager, Mr. Dan Wilson, was one of my local advisers. Mr. Bignell of the Wonder Bakers in Toronto was another adviser. I have no reason to question these people as to the truthfulness of their statements or records they put before me, but naturally there was no audit by the board to confirm those statements.

Q. Were they among the representatives who informed you that the sweet goods were carrying the bread?—A. Exactly.

Q. How general was this condition as it was represented to you within the whole trade?—A. I believe it was fairly general, but if I may suggest, if you would call the secretary or executive manager of the national council of the baking industry he has all these facts and figures.

Q. Who is that?—A. That is Mr. Percy Sparks. As a matter of fact, I have here a statement that the national council sent to—

By Mr. Dyde:

Q. Is this your own statement?—A. No, the Canadian association of the baking industry, but it has got much of this information that is relevant to what—

By Mr. Fleming:

Q. I guess we will have to get that from another source, Colonel Ruttan. You can hardly put that in as your exhibit unless you are prepared to vouch for it.—A. No, but I could go this far, that taking the statement of comparative

costs that was determined at the time I know our own checks, as near as we could make them through figures from the Dominion Bureau of Statistics, indicated they were reasonably correct. That is in regard to these certain costs but I am quite satisfied there was a very definite increase in the cost of the bakers' operations.

Q. Did you in your capacity as administrator ever have to deal with this question of the marking of price on the wrapper of a loaf?—A. Well, prior to my becoming administrator one of the regulations of the Wartime Prices and Trade Board—

Q. Will you give us the date when you became administrator?—A. January, 1944.

Q. Very well.—A. Prior to that there was a regulation of the board which stated that in the case of loaves of bread which were not wrapped a label should be attached which would indicate the weight and the selling price.

Q. Is that the retail selling price?—A. The retail selling price, yes.

Q. Yes.—A. I believe that was order A-59 but I would like to confirm that.

Q. We can check that up. What followed during your time as administrator with respect to that particular order or the practice under it?—A. As a matter of fact, the principal orders governing the conduct of the industry had been published before I came in. So far as I was concerned it was more a matter of seeing that the orders and regulations were carried out. There was very little change in the amending order which I believe was published in the fall of 1943.

Q. Then we can take it that the body of regulations was pretty well codified by the fall of 1943 before you became administrator, and continued practically unchanged until you retired on October 31, 1947?—A. Right; they were gradually amended.

Q. Are we to understand it was a requirement of the Wartime Prices and Trade Board that the selling price of bread should be stamped on the label, the retail selling price?—A. It was at the time this order was published, but subsequently, and prior to my taking over, I understand all existing orders were amalgamated and covered by one general order and that general order said nothing about marking the price at all on anything.

Q. So that the former requirement was not reimposed at the time the orders were consolidated?—A. Apparently not.

Q. What was the practice of the companies to your knowledge in the four years you were administrator?—A. The general practice was to show the price on their own label, on their wrapper.

Q. Did you have occasion to approve or disapprove of that practice?—A. No, there was nothing said about it.

Q. But the board through its administrator was aware of the practice and took no objection to it; is that so?—A. I would say so, yes.

Q. Have you any comment to make on the practice for the assistance of this committee? Is it a practice that prevails widely today now that the orders have gone?—A. I would not like to be too sure. I believe it was a practice but again I would want to consult the bakers and ascertain exactly what the situation is. My own memory does not tell me. I do not know today if there is a price of 13 cents or 14 cents or what it is—

Q. What was the practice prior to the time your order came into effect requiring the price to appear on the label?—A. I would say that certain companies did undoubtedly show it on the bread wrappers.

Q. Before the war, before 1941?—A. I cannot be sure of that.

Q. You are not able to tell us how far back that goes?—A. No, I do not know.

Q. Nor how general the practice may be today. Can you from your experience as administrator give the committee any assistance on this point? Is this a practice that works to the advantage or detriment of the consuming public?—A. Having the price on—

Q. Having the price stamped on the wrapper?—A. Well, I would say at the time the board asked to have it on the label it came to the conclusion it was a safeguard to the public in not allowing dealers to raise the price beyond a certain limit.

By Mr. Mayhew:

Q. They had a ceiling price?—A. They had a ceiling price.

Q. They thought it was better that the ceiling price should be known?—A. It was apparently better to hold them to that ceiling and see that nobody could go above it because bread after all in those days was comparatively low.

The CHAIRMAN: Mr. Mayhew has pointed out the situation while there was a ceiling price. Your question was more general, was it not?

By Mr. Fleming:

Q. The ceiling price continued after 1943 but the regulation requiring the printing of the price on the label apparently did not continue into 1944 or 1945. That is what I understand the witness to say; is that right?—A. Right.

Mr. MAYHEW: You mentioned 1943, Mr. Fleming. He came there in 1944. When you were speaking a short time ago you mentioned that Colonel Ruttan came in 1943. It was in 1944 that Colonel Ruttan came to the board.

Mr. FLEMING: I did not say Colonel Ruttan came in 1943. He came in January, 1944, January 1, I think he said.

Mr. MAYHEW: I think there was an error in your statement.

Mr. FLEMING: What he said, as I understand it, was that this codification of the regulations took place in the fall of 1943 before he became administrator.

The WITNESS: Correct.

By Mr. MacInnis:

Q. Was Colonel Ruttan with the prices board before he was there in the capacity of administrator?—A. No—well, the original title was director and and they amended that to administrator a few months later.

Q. But your engagement with the board was from 1944?—A. January, 1944.

By Mr. Fleming:

Q. You indicated earlier you were not sure who called that meeting in the middle of September, September 15?—A. Yes.

Q. You are not sure who called it?—A. No, I am not. As I say, if two or three of them talked to me, I might say to them myself, "Why do you chaps not get together and let us discuss this thing."

Q. So it might have been called by some of them or by yourself?—A. Right.

Q. Is that so?—A. That is the way I feel about it.

By Mr. Mayhew:

Q. It was not called by you but the suggestion to call it might have originated with you?—A. Right.

By Mr. Fleming:

Q. You have mystified me a little bit by your last two answers. I thought you said to me that, so far as you can recall now, you might have called the meeting?—A. Yes.

Q. Mr. Mayhew suggests that you meant to say the idea or suggestion for calling the meeting might have come from you, which do you mean?—A. I meant the latter. I did not, individually call this number of persons. I might say to one of them, "I think you could get your group together".

Q. Pardon?—A. I might say to one of them, "I think you could get your group together".

By the Chairman:

Q. Is not the likelihood that, the subsidy having been taken off, the bakers wanted to know what their situation was as a result of that, and that they called a meeting? They likely told you they were going to have this meeting.—A. It could so happen, sir, or, as I say, two or three could talk to me. I might even suggest to them to go ahead. It seems immaterial as to how it happened because we were having so many meetings.

By Mr. Fleming:

Q. Were you always in close touch over a period of time with these meetings; was that the practice?—A. I was in very close touch.

By Mr. Merritt:

Q. Were you present at these two meetings from the beginning to the end of each meeting?—A. I think so.

Q. The first meeting, you are not certain whether or not it was called at your suggestion, as I understand it?—A. No.

Q. I wonder if you remember what happened at the end of the first meeting and before the second meeting took place. Was it arranged at the end of the first meeting you would enquire from Mr. Taylor what his position was on the points mentioned in this Exhibit 25 and report back to the meeting the next day?—A. Yes, I think that was the attitude there. You could judge that from the letter I wrote to Mr. Taylor.

Q. That seems to appear from the correspondence?—A. Yes.

Q. So, the second meeting on the 16th was probably arranged at the first meeting, was it?—A. I could not even say that.

By Mr. Mayhew:

Q. Are you sure there was a second meeting?—A. There was a second meeting, but whether they both happened on the second day or consecutive days, I am not positive.

Q. I find in exhibit 25, your report to Mr. Taylor, these words: "At yesterday's meeting, I told you Mr. Short had informed me—" So it appears there was a meeting on the 15th. This is a statement you made on the 16th, so you had a second meeting on a different day?—A. Right.

Q. I see it also says here, dealing with Mr. Short's position: "Consequently Mr. Short agreed that his company (as did other flour mills) would not exceed 3 cents for the time being. Later if warranted another cent might be added." Do you remember Mr. Short discussing the question of whether it should be 3 or 4 cents?—A. I would take it from that, that is the comment Mr. Short would have made to me.

Q. That is his comment, then, that he was satisfied with 3 cents for the moment but that would not necessarily bind him in the light of future experience. Did you understand that to be his position?—A. I understand that.

Q. When the bakers were coming to you before decontrol, I believe you mentioned that they made joint applications for increases; is that correct?—A. Correct.

Q. Did you deal with those applications for increases in bread prices always jointly through an association of the trade, or did you deal with individual firms?—A. It would depend. I had many discussions with individuals, many meetings with associations.

Q. But the actual application for an increase which was made to you—
—A. This particular application of which you speak came before me in the form of a deputation representing the various Ontario bakery associations. There are several of them.

Q. When they presented the facts and figures to you, did they present the facts and figures covering the industry as a whole or covering individual companies?—A. They gave me a general statement and certain of them spoke to it, I remember, but as that was so near to what I felt was the time for the removal of the flour subsidies—I could not say so to them at that time—I really did not give them any hope of their receiving any increase at that time. It was just so near the time there was going to be, as I say, the removal of the subsidy and recognition of, perhaps, some increase in respect of expenses and added costs other than the flour subsidy itself.

I think you might say the chairman has advised the National Council of the baking industry some time earlier that if the flour subsidy was not removed by a given time, perhaps it would be necessary to consider an increase in the price of bread alone.

Q. How much were they asking for in this application in the summer before decontrol?—A. This particular one was asking for a straight 2 cents on the price of bread. That had nothing to do with the flour subsidy, the flour subsidy was still on at that time.

Q. That 2 cent request was made without regard to decontrol or the removal of the subsidy?—A. Without regard to decontrol or the removal of the subsidy, anything of that kind.

Q. You said in that summer they showed profits were decreasing?—A. Yes.

Q. Meaning, of course, that costs were increasing?—A. Quite.

Q. What costs were stated to you to be increasing?—A. What costs? Would it be permissible to refer to this statement I have before me?

The CHAIRMAN: That is not your statement; I do not think it would be proper.

The WITNESS: Then, could I say this: the cost of labour index had gone up 56 points from, I believe, thirty-nine and, strangely enough, the average cost of all ingredients used by the bakers had increased approximately 50 per cent, slightly over.

Q. So that when they were representing that costs were increasing they were talking about the increase since control was first applied?—A. I did not catch that.

Q. Were they talking about the increase since control was first applied, or were they talking about recent increases which had taken place in the year 1947 in their costs?—A. They were talking about the accumulated effect of the removal of subsidies on certain ingredients, and the removal of price control on certain other lines, most of which were removed prior to the decontrol of bread. As those things were released from control, their price rose and the baker was getting the cumulative effect. It was hitting him very hard from April, 1947 on, when the bakers made that special representation to the board.

Q. So, it was more the recent increases in their costs that they were particularly worried about?—A. Quite.

Q. Did they break down this 2 cents for you in its component parts?—A. No, I do not think they did. They referred to the total figures and percentage that were against them. They would have given me numerous exact figures on certain ingredients or supplies and that sort of thing.

Q. Tell me this, Colonel Ruttan, I imagine you found from your association and your practice as administrator that it was essential you deal industry-wide. You could not deal with an application for a price increase by one firm, could you, it would have to relate to the whole industry?—A. There were many individual firms, particularly small bakeries, which made application for increase in the price of pies they were selling or something of that kind. They were complaining they were losing money. Only if that applicant could prove over all financial need would authority be given to increase the price of his pie, even though one man might be selling at 20 cents as against his neighbour's 25. He chose to sell at that price when prices were frozen and he had to continue unless he could prove over all financial need.

By Mr. Mayhew:

Q. That obligation of proof was not for you, it was for the head office?—A. It was for the prices division of the board. It was entirely apart from me.
Q. You would get your instructions. You did not have to audit separate accounts to prove necessity or otherwise of the individual companies?—A. That is right.

By Mr. Johnston:

Q. I should like to ask the witness a few questions, if I may. You were with the Wartime Prices and Trade Board for quite a time, were you not?—A. From January, 1944 until the end of October, 1947.

Q. You were in continual contact with all the bakers?—A. Yes, more or less.

Q. Did it ever occur to you or did such a thing ever happen, that when these bakers got in touch with you, you had them meet you at your office?—A. That they did what?

Q. Did you ever have them meet you at your office?—A. Latterly, my office was so small I could not have more than two or three meet there.

Q. How large was it?—A. Well, there was room for my desk. I could have one or two people sitting beyond that.

Q. May I put it this way; was it about 14 x 14 or 14 x 20?—A. Nothing like 14 x 20—it was about 10 x 12.

Mr. PINARD: Is it necessary that we know that or whether he had flowers on his desk?

Mr. JOHNSTON: Yes, I think it is.

The CHAIRMAN: We have this much established, that it was a small office.

By Mr. Johnston:

Q. Would it be the size of a hotel bedroom, let me put it that way?

The CHAIRMAN: Well, hotel bedrooms vary.

By Mr. Johnston:

Q. Let me pin it down to a particular one. Was it the size of the hotel bedroom in which this meeting occurred?—A. Certainly not.

Mr. FLEMING: We have not been told it was a bedroom, yet. We have been told it was a room in the hotel and there are many rooms in the hotel.

By Mr. Johnston:

Q. Was it a bedroom?—A. There were certainly no beds in it.

Q. Was it your custom to hold meetings of this import in hotel rooms?—A. Yes, I think the most important meeting we ever held was the one I talked about on April 24 when the chairman of the board and his assistants were invited down to the Chateau Laurier Hotel to meet them there.

Q. So it was not uncustomary then, for you to meet in hotel rooms?—A. No, not if there is a comfortable room there.

The CHAIRMAN: Even members of parliament meet in hotel rooms.

Mr. JOHNSTON: Bedrooms, Mr. Chairman.

The CHAIRMAN: I am told that, I do not know.

By Mr. Johnston:

Q. Colonel Ruttan, you will recall Mr. Taylor gave evidence here the other day stating he had advised you not to attend such meetings as this in the future?—A. Quite.

Q. Why was that direction given to you?

The CHAIRMAN: Is that not a question we should have asked Mr. Taylor, not this witness? Besides, Mr. Taylor told us why.

Mr. JOHNSTON: I think Colonel Ruttan would be in a position to say why he was advised not to attend.

The CHAIRMAN: The instruction was given by Mr. Taylor who told us why he gave it yesterday. I do not want to curtail your examination, but I do think we ought to try and get on quickly.

Mr. JOHNSTON: Yes, but I think it is a very material point nevertheless, Mr. Chairman, that this witness was instructed not to hold any meetings of that character.

The CHAIRMAN: Mr. Taylor told us yesterday why he gave those instructions. Do we have to go over that again?

Mr. MACINNIS: He was not told not to hold them, he was told not to attend.

Mr. JOHNSTON: It is the same thing.

The CHAIRMAN: It is quite different.

Mr. FLEMING: Mr. Chairman, may I just suggest this witness cannot be asked what Mr. Taylor's reason was but he could be asked if Mr. Taylor gave him a reason.

The CHAIRMAN: Mr. Taylor gave the reason to us yesterday and I am suggesting we ought not to go over it. There is no sense in labouring a point that is already settled.

Mr. JOHNSTON: All right; we are not getting anywhere much on that anyway.

The CHAIRMAN: No.

By Mr. Johnston:

Q. Colonel Ruttan you were convinced a 2·2 rise was sufficient?—A. Was sufficient?

Q. Yes?—A. No, the point is that was supposed to cover the value of the flour increase alone in a 24-ounce loaf of bread when the subsidy was removed.

Q. I think you said you got that advice from a man who was in a position to know, that is from Mr. Short?—A. No.

Q. Where did you get that advice from?—A. It was generally accepted that the price increase in a barrel of flour was so much, I think it was \$4.05 at that time, and divided by 186 24-ounce loaves, which is the yield from a barrel, I believe it gives 2·2. I would like somebody to check me on that however.

Q. Yes, we will accept that as being correct. When you were at this meeting Mr. Short suggested a 3-cent rise would be sufficient and in fact his company was not going beyond a 3-cent rise?—A. Excuse me, sir, Mr. Short said his company was not going to increase the price more than 3 cents but I did not say he said it would be sufficient.

The CHAIRMAN: No.

By Mr. Johnston:

Q. Would it be unreasonable then for the other bakers to ask a higher price than that if, in their experience, their actual costs would be more than that?—A. They would not sell any bread in competition with a man selling a cent under. That is what determines it; competition determines it.

Q. Mr. Short was also interested in milling?—A. Yes.

Q. Did you ever go into the cost of the millers?—A. No sir.

Q. To see whether or not they were making a very substantial profit on the flour which they milled?—A. I do not know anything about that, I am sorry.

Q. Well, Mr. Chairman, I would suggest to the witness that when the prices board was asking the bakers to limit their increase to 3 cents, and that that 3 cents was suggested by Mr. Short who himself was a miller, it should have been very necessary for the board, the Wartime Prices and Trade Board, to ascertain more definitely whether or not that 3-cent rise would be sufficient to cover the costs of these bakers who were not millers.

The CHAIRMAN: Well do you not think Mr. Johnston that Mr. Taylor covered that point?

Mr. JOHNSTON: I do not think so.

The CHAIRMAN: He said at the period when the subsidy was removed he judged a price beyond 3 cents would be unwarranted and that statement was based upon a continuing investigatory interest on the part of the board. Now I do not want to continue but I think we have gone over that.

Mr. JOHNSTON: I do not think we have. It is a difference of opinion. My point, as far as the witness is concerned, is that he took the advice of Mr. Short who is not only a baker but a miller, and having that in mind Mr. Short, who is both miller and baker, might very easily be able to set the price at 3 cents and through his over-all operation make a very substantial profit, while the bakers, on the other hand, who were limited to the baking operation, might very easily entail a loss at that 3-cent rise.

The CHAIRMAN: But this witness has said he does not know anything about flour.

Mr. JOHNSTON: My point is that, he is an official of the Wartime Prices and Trade Board, or was at that time.

The WITNESS: On bread and baking products, sir.

Mr. MACINNIS: Mr. Chairman, I think the point Mr. Johnston is trying to make, if I understand him correctly, is that the mill-controlled bakeries were in a position to dominate the price. They set the price at 3 cents and the others had to follow. I think that was indicated to Mr. Johnston by a statement that was made by Colonel Ruttan, if I caught it correctly, when he said there was a feeling on the part of those that were not mill-controlled that they were being railroaded.

Mr. JOHNSTON: Well, Mr. Chairman, Mr. MacInnis has just guessed what I was coming to, however, I did not like to put it so bluntly at this time.

Mr. MACINNIS: I am more direct. There is no necessity for losing time.

By Mr. Johnston:

Q. I would like to get the witness' view on that point because it is a very material point with regard to this 3 or 4 cent rise.—A. Exactly what question would you like me to answer?

Q. Well I am concerned with this, Colonel. You took the advice of Mr. Short?—A. Excuse me, sir.

Q. Did not Mr. Short suggest at this meeting their company would not sell bread at a greater amount than 3 cents?—A. Right. Mr. Short said simply they would not sell at a higher price but that is not to say his advice was accepted.

Q. You were in telephone conversation with him?

The CHAIRMAN: Have you finished your answer?

The WITNESS: No, I said that is not accepting the price, it is simply to be told by Mr. Short at which price his company was going to sell bread.

By Mr. Johnston:

Q. You were in telephone conversation with Mr. Short before this last meeting?—A. Quite.

Q. He was one of your advisers was he not?—A. No.

Q. I think you have already stated that?—A. No.

Q. Did Mr. Short have any position with the Wartime Prices and Trade Board at all?—A. Yes, Mr.—

Q. What was it?—A. Mr. Short was flour administrator.

Q. Flour administrator, and you were in continual contact with Mr. Short?—A. Only when there were subjects pertaining to the interests of the bakers.

Q. Let us put it this way, when the necessity arose?—A. Yes.

Q. And being that he was administrator of flour, you would more or less act on his advice with regard to the necessary increase?—A. Please, sir, understand I was not establishing a price. I had nothing to do with it. He simply set his own price and said what he was going to sell at.

Q. It was your opinion at this meeting and I think you said a while ago you expressed it, that there should not be more than a 3-cent rise?—A. Did I say that?

The CHAIRMAN: No, I do not think you said that.

Mr. JOHNSTON: I was under the impression he had, but the evidence will reveal that later on.

By Mr. Johnston:

Q. Did you get information from Mr. Taylor to the effect that if there were more than 3-cent increases that it might be the board would have to take action?—A. No. You have got that I think just a little twisted.

Q. Will you straighten it out for me, please?—A. That was the statement Mr. Short made and it is covered in the correspondence, your Exhibit 25. I believe.

Mr. MACINNIS: Mr. Short or Mr. Taylor?

The WITNESS: Mr. Taylor.

Mr. JOHNSTON: I did not hear that, Mr. MacInnis.

Mr. MACINNIS: I asked whether it was Mr. Short or Mr. Taylor who made the statement, and it was not Mr. Short.

The WITNESS: I am sorry if I did say Mr. Short.

The CHAIRMAN: That is in Exhibit 25.

By Mr. Johnston:

Q. That is covered by Exhibit 25, yes. At this meeting I take it you did indicate to the meeting that a 3-cent rise should be sufficient?—A. No sir, I did not.

Q. You did not mention anything about the 3-cent rise?—A. I certainly did. I told them that Mr. Short said he was going to sell at 13 cents which was a 3-cent rise. I should not say Mr. Short, but Mr. Short's subsidiary, Brown's Bread.

Q. There was very strenuous exception taken to that?—A. No, my personal attitude I think in regard to that was that the difference between the subsidy and the 3-cent rise which was .8 per cent was, in my opinion, from the statements

of facts and figures I had seen, not sufficient to cover these other added costs. That was my own humble opinion but nevertheless the board's official view was the baker should not have more than 13 cents and that was definitely determined.

Q. And you so expressed that at the meeting?—A. Well I do not know that I did.

Q. You must have mentioned what the board considered to be a legitimate rise in prices, did you not?—A. No, not necessarily, no.

Q. You never mentioned a 3-cent rise at all then at the meeting.

Mr. MAYHEW: Did you actually know Mr. Taylor's view on the subject?

The WITNESS: I got that directly from Mr. Short.

Mr. JOHNSTON: I could not hear that.

The WITNESS: I got Mr. Taylor's view apparently from Mr. Short and that has been explained as I say.

Mr. JOHNSTON: It was Mr. Short then at the meeting who said they were selling at 3 cents and not you?

The CHAIRMAN: No, no.

Mr. JOHNSTON: Well let us get it clear. I want to get this straight. You never mentioned at the meeting anything about a 3-cent rise as being sufficient?

The WITNESS: Yes, sir, I mentioned at the meeting—could I read the letter to you?

The CHAIRMAN: The first paragraph will be sufficient.

The WITNESS: This is the statement enclosed in a letter to Mr. Taylor. "At yesterday's meeting I told you Mr. Short had informed me that Mr. Taylor had advised him that if the price of the loaf was advanced by 4 cents there would be serious trouble for the industry whereas a 3-cent price would be acceptable and Mr. Short had agreed that his price would advance only 3 cents." Now, Mr. Taylor explains we have got that twisted a bit and covers it in his letter. This is the substance of it.

By Mr. Johnston:

Q. My question is still not yet answered. I want to know whether or not Colonel Ruttan at this meeting in the hotel mentioned anything about 3 cents as being the limit?—A. Well I think I covered that by—

Q. Just answer yes or no. I do not want you to go to any great length in repeating yourself.

Mr. DYDE: You understand, Mr. Johnston, he read that to the meeting. That has been given in evidence already.

Mr. JOHNSTON: Yes, and before I understood the witness to say he had not mentioned the 3-cent rise.

The WITNESS: Oh, no, no.

Mr. JOHNSTON: I think I am quite clear on it.

The WITNESS: I have got to admit that I am getting confused too.

Mr. MACINNIS: "Too" is quite significant.

Mr. JOHNSTON: I am sorry if I have confused you.

The CHAIRMAN: With great respect I think you are not alone.

By Mr. Johnston:

Q. Now then we can take it for granted that the 3-cent rise was mentioned at the meeting?—A. Quite, yes.

Q. And there were some of the bakers there who objected on the ground it did not cover their costs?—A. Quite.

Q. Did they suggest how much it should be? Certainly, if they had said 3 cents was not sufficient they must have suggested something that would be in reason?—A. I think we can take it for granted they would not expect to get more than 4 cents.

Q. Yes?—A. And therefore we mention in this letter—we mentioned these 4 cents there.

Q. So others there mentioned 4 cents, didn't they?—A. I take it for granted that there must have been some mention of that.

Q. Is it to your recollection that they discussed it?—A. I have not a clear recollection on this thing.

Q. You are reading from the memorandum now, aren't you?—A. Yes.

Q. I think it would be safe to assume then that they did mention 4 cents; would that be correct?—A. I think so.

Q. So there was argument then as between 3 cents and 4 cents at the meeting?—A. Well the 3 cents you might say was an ultimatum, did not leave much room for argument.

Q. Exactly, so the 3-cent limit was dictated by Mr. Short because he was the one who really suggested that and he was both a miller and a baker; would that be correct?—A. I would think so.

Q. So the effect on the meeting would be to cause a lot of discussion. I understand it was a rather rowdy meeting—I do not know that I should use that term, Mr. Chairman—but it was rather a noisy meeting particularly because of the fact that there were some there who had suggested a 4-cent price?—A. Not to my knowledge.

Q. Or a 5-cent increase?—A. I have no recollection of that, unless someone were talking about northern points, like Timmins. They might have mentioned the 5-cent increase.

Q. You probably were not in the room the other day when one of the witnesses said he was very strong on that point, that the increase should be 5 cents.

The CHAIRMAN: Yes, but that did not say that. He said it was his opinion not expressed.

Mr. JOHNSTON: I think the evidence will reveal that he expressed that opinion at the meeting very strongly.

The CHAIRMAN: No, the evidence is that Mr. Macdonald said nothing at the meeting.

Mr. JOHNSTON: It was not Mr. MacDonald, it was Mr. Kelleher.

The CHAIRMAN: Oh!

Mr. MAYHEW: Let me ask you this, Mr. Johnston; do you think that six months from now you could tell anybody what everybody else said at this meeting we had here yesterday?

Mr. JOHNSTON: In answer to that I was going back to ask Mr. Mayhew if this meeting was not very insistent that some of the other witnesses revive their memory most explicitly in this regard.

Mr. MAYHEW: You are asking a man to remember what happened at a meeting held six months ago and you find fault with the witness because he cannot give you everything that was said at that meeting.

Mr. JOHNSTON: You see, Mr. Chairman, we did that very thing; almost every member of this committee did that thing with other witnesses.

The CHAIRMAN: Can you proceed quickly, Mr. Johnston? I would like to dispose of this witness today, if we can.

Mr. JOHNSTON: Yes, Mr. Chairman. I think I have got just about what I wanted from the witness. I think we go over the evidence we will find it is quite revealing.

By Mr. Pinard:

Q. Mr. Ruttan, in view of your experience with the Wartime Prices and Trade Board and also as a director of the Ontario Bakers Association would you know if that meeting was attended by any bakers who were not connected with milling companies?—A. At that meeting?

Q. Yes?—A. Yes, I would say so.

Q. Can you name them?—A. I could list them, I think. Christie's would be independent; and Weston's Bread. As I say, naturally, I do not know the ramifications of all the others.

Q. But these two, they are subsidiaries of milling companies?—A. You have Brown's Bread, a subsidiary of Lake of the Woods Milling Company.

Q. Yes?—A. And Canada Bread, of the Maple Leaf Milling Company.

Q. Yes?—A. And General Bakeries—I am not sure of their connection with a milling company.

Q. Is it not a fact that they are independent?—A. They used to be with Purity. I cannot speak with authority in regard to that. Wonder Bakers are Ogilvie's.

Q. Do you know of any other large bakery to your knowledge even though they were not present at that meeting who are also controlled by milling companies?—A. You mean of the Toronto bakers?

Q. Yes?—A. No.

Q. Do you know anything about the situation in Montreal in that respect?—A. No, I am sorry to say I would not. I have not got sufficient data on that.

By Mr. Merritt:

Q. Colonel Ruttan, I want to go back to this 14-cent price stamped on the wrapper for a moment. Can you think from your experience of any disadvantage which would be suffered by the consumer if that practice were discontinued?—A. If the practice were discontinued?

Q. Yes?—A. I would think the people who were putting that on now I imagine to mark their top quality bread in that way to distinguish it from the other. They consider it a safeguard. Without that mark some other loaf probably not of the same quality might get into that same bread.

Q. But, of course, that could happen, couldn't it; I mean the lower quality loaf could still be sold at 14 cents even with no price mark on the wrapper; isn't that correct?—A. It could happen.

Q. Is the lower quality loaf marked with a lower price?—A. I can't say.

Q. So that there would be no actual protection to the consumer in only the top quality loaf being marked with the sale price. I can see what you say if the lower quality loaves were marked with a lower price, but I cannot see any protection as far as quality goes if you only mark the top quality. —A. I see your point.

Mr. MacINNIS: Might I ask a question?

Mr. MERRITT: I would like to exhaust that.

By Mr. Merritt:

Q. Apart from that is there any other disadvantage that you can see to the practice being discontinued?—A. Being discontinued?

Q. Yes?—A. I do not know that I would care to express an opinion on it. I can understand how the bakers selling their bread to householders and to dealers would like to have that price on there to keep that top quality loaf distinguished so you can see it, but I do not think there is any advantage to it.

Q. You mean, to prevent people selling it at a higher price?

The CHAIRMAN: Or, a lower price.

The WITNESS: To prevent the lower priced loaf getting put in with that bread. If the same firm makes one loaf stamped with a price and another which is not, the public would soon get to know what the top quality loaf is.

Mr. MERRITT: If price is the determining factor. I wanted to get your views on it.

By Mr. MacInnis:

Q. I would like to get some little information from the witness on the term "railroaded"; he spoke about the 13-cent price having been railroaded through the meeting.

The CHAIRMAN: What is the point? I do not quite get it.

By Mr. MacInnis:

Q. As well as I can remember what the witness said, he said there was a feeling on the part of those that were at that meeting that they were being railroaded; what do you mean by that?—A. Well, compelled into a situation; compelled, I think would be the right word.

Q. Well, that means, does it not, that the mill-controlled bakeries determine the price of bread?—A. I would not say always. I would say in this particular instance it had a great bearing.

Q. Well, you said later on that when Mr. Short said that he would not raise his price beyond three cents that was an ultimatum.—A. Yes.

Q. It is an ultimatum that those bakeries which were not mill-controlled had to accept whether they could carry on business or not?—A. Quite.

Q. There is not a great deal of room for competition there. How is it that the mill-controlled bakers can produce bread cheaper than those bakeries which are not mill-controlled? Do they sell to their bakeries flour at a cheaper rate than it is sold to the trade?—A. Many a time I have tried to discuss that with the mill-controlled baker. He says as a rule I pay more for my flour, there is no competition; but when a mill goes out to sell to others there is competition.

Mr. MACINNIS: Has it been established that the mill-controlled baker does produce bread at a lower cost?

The WITNESS: I would not accept that statement. I was simply referring to the price of flour.

Mr. MACINNIS: If they cannot produce it at a lower price it seem they can sell it at a lower price. There must be some reason for that. You would not care to make a statement in regard to that?

The WITNESS: Frankly, I think those are questions for the baker to answer.

By the Chairman:

Q. May I ask just one question following that? You say that the price of 13 cents was influenced by the attitude of one of the large companies identified by you. How do you explain that there are still many retailers selling bread at a lower price of 13 cents?—A. They have different types of operations, for one thing; and then, again, some are selling bread at several prices. They sell other things as well.

Q. Then you are modifying somewhat the effect of the influence in this case of the mill-owned baker. He does not dictate the price, does he?—A. No, certainly not; and I have not said so. I said that in this particular instance he said he was not going to raise his price above so and so. The evidence shows he talked the matter over with Mr. Taylor and that Mr. Taylor said that in his view 13 cents was high enough to go at that time. That was that picture. That was considered, I imagine, as co-operation.

Mr. IRVINE: May I follow up this with one more question, Mr. Chairman.

The CHAIRMAN: Yes.

By Mr. Irvine:

Q. It has been represented here by others giving evidence about this famous meeting that there was considerable wrath. You were at the meeting discussing these details. Would you care to say anything on that?—A. I think that is entirely incorrect.

The CHAIRMAN: There was a spirit of good fellowship there throughout, would you say.

The WITNESS: There were certain arguments as there always is in all of these things, but I do not think there was any personal ill-will so far as that is concerned. They are a sound set of businessmen in this trade.

By Mr. Irvine:

Q. I am not suggesting anything, I am almost quoting one of the witnesses. Now, would you say there was a very sharp difference of opinion expressed?—A. I would say there was a difference of opinion.

Q. Would you say that most of that difference of opinion arose on the part of the bakers who were not mill-controlled opposing a determined price fixed by one?—A. I would think that would be correct.

Mr. IRVINE: That would be the fact.

The CHAIRMAN: Mr. Dyde, I understand you have some questions.

By Mr. Dyde:

Q. Colonel Ruttan, there are one or two points which have come up I would like to clear up with you. May I take you back now to the summer of 1947. I think you told one of the members of the committee that you were satisfied that the bakers' costs were increasing or had increased. Now, I wanted you to be more explicit, on what did you base your satisfaction? I think you said that you made no audit of their statements and that you based it largely on the cost of labour index and on the average cost of the ingredients used by the bakers. Was there any other factor on which you based your satisfaction?—A. And the actual statements given by the operators in a comparison of their profits from month to month.

Q. Financial statements?—A. Financial statements, drawn up to show the operative trend of their earnings on bread.

Q. They were not audited for you by the Wartime Prices and Trade Board?—A. No.

Q. Did you ever examine the formulae of the bakers to determine—or, were these ever submitted?—A. No.

Q. Then, the policy of the Wartime Prices and Trade Board with regard to prices marked on the bread. You gave us some evidence with regard to that. When price was marked on the bread control was still on. Was that price marked on the wrapper; or, do you know?—A. Certain ones did it but I do not think others did.

Q. Was it on the unwrapped bread?—A. It was required to be on the unwrapped bread at the time of the publication of the order which stated that a stamp should be placed on the bread showing the weight and the price.

Q. Is that what you meant when you said that the price was required to be put on?—A. Yes, at that time; but I told you that since that there has been an amendment to those orders and that was left out.

Q. I know, but the orders were with reference to unwrapped bread at that time?—A. Yes, that order was.

Q. Are you sufficiently familiar with the trade to know that unwrapped bread bears a smaller proportion of sales than the wrapped bread; or, could you say that?—A. Certainly in the larger centres that would be so.

Q. Now, leaving that Colonel Ruttan; would you be good enough to tell the committee when you went with the Bakers Association? Would you tell the

committee when you were first approached to become an officer of that association?—A. I cannot say definitely.

Q. Would you try to remember for us, please?—A. I have got to go a long way back. I remember somebody six months after I had been on the job with the board wanting to know whether I would like to take a job with the national council.

Q. That would be some time during 1944?—A. 1944.

Q. Were there other approaches to you after that?—A. Not definite approaches, and that was not a definite approach. You have asked me a question and I have answered it. Somebody mentioned it, but there was nothing in it. I told them I had no inclination of accepting such a job, no intention of accepting it.

Q. Do you recall when the first definite approach was made to you?—A. No, I do not.

Q. Can I help you, Colonel Ruttan? Would it be prior to September, 1947?—A. I would say that it would.

Q. Would it be prior to the 1st of October, 1947?—A. You are making it too difficult for me. I cannot follow that through on that basis.

Q. I am just trying to help you. You tell me the best you can.—A. I would like to be able to tell you definitely, but at different times it has been mentioned.

Q. Different times since 1944?—A. Yes.

Q. Now then, in the latter part of 1947 you became a director of the association, and you know— —A. When?

Q. 1947?—A. No, the 1st of January, 1948.

Q. The 1st of January, 1948, but you became an officer of the Ontario Bakers earlier than that?—A. No.

Q. Since you have become an officer of the association you, of course, are aware that the price of bread has been increased since the 1st of January?—A. Yes.

Q. To your knowledge were those prices increased by all bakers at the same time?—A. I know the prices were increased by certain bakers at one time and other bakers at another time. I do not think it was a general increase, a stated increase all the way across.

Q. Do you know who increased the price first in January, 1948?—A. I would not like to be too sure, but I would think probably the Christie Company was the first company that advanced their bread price.

Q. Do you know the date on which they advanced the price?—A. No, not offhand, no, I do not.

Q. Have you attended meetings of the Ontario Bakers Association since the 1st of January, 1948?—A. Yes, I have.

Q. How many?—A. Oh, goodness, I do not know. I attended a meeting yesterday, a small group in connection with machinery.

Q. Excuse me. Were you finished?—A. I was going to say on Wednesday I attended a meeting of a group out in Windsor.

The CHAIRMAN: That is not a bad place to go.

Mr. JOHNSTON: Where is that?

By Mr. Dyde:

Q. Have you attended a meeting of the association since January 1, 1948 at which the price of bread was discussed?—A. No.

Q. No meeting at which the price of bread was discussed?—A. No, sir. That is one thing I am very, very clear in my own mind.

Q. You can say to the committee definitely that there was no meeting of any group of the members of the association prior to the increase of price in January, 1948, at which prices were discussed.—A. Yes, I can. You mean prices—

Q. Prices of bread?—A. Were—

Q. Can you be definite about that?—A. Yes, I can. I am definite. I did not attend any meeting where any price was in any way set.

Q. Did you attend any informal group which discussed the price of bread?—A. No.

By the Chairman:

Q. Colonel Ruttan, are you familiar with section 8 of the Wartime Prices and Trade Board Act?—A. Not as such.

Q. The section that deals with circumstances that lead or do not lead to unjust or unfair prices; are you familiar with that section?—A. In a general way.

Q. Having that in mind what do you say as to the present level of bread prices?—A. My own humble opinion is they are reasonable.

Q. They are reasonable.

Mr. WINTERS: Have you finished?

The CHAIRMAN: I have one more question.

By the Chairman:

Q. What would you say the situation was in that regard in September, September 16?—A. Well, from the viewpoint of certain of the bakers it was not reasonable. The official attitude of the board was they were reasonable.

Q. What was your opinion?—A. I felt the price should be a little higher than a straight 13 cents.

Q. You felt the price should a little higher? That is all.

By Mr. Winters:

Q. In Colonel Ruttan's position as a director of the bakers' association would he be in a position to know whether or not any baking companies had practised discrimination against retailers who did not sell at the prices which were prevailing?—A. No, I have never heard these things discussed at any of the bakers' association meetings. I saw a lot in the press about some dealers complaining that they were being discriminated against.

Q. But you have no direct knowledge of any instance of discrimination?—A. No.

Q. Would it come to your attention if there was an instance of discrimination by bakers?—A. I doubt it very much. I do not know why it would.

By Mr. Mayhew:

Q. You say you have had meetings of the association in 1948?—A. Yes.

Q. Were they pretty well attended meetings?—A. Yes, very well attended meetings. There was a splendid meeting down in Windsor the other day.

Q. You mean to say at a well attended meeting of the association that bread prices were not discussed?—A. Not the establishment of bread prices. That is what I mean, the setting of a bread price, certainly not.

Q. There was no talk of agreement?—A. Exactly.

Q. Surely there would be a mention of prices? Surely the price of bread would come up.—A. I will not say some individual might not talk about the price of bread but there was certainly no agreement.

Q. I think you left the impression that prices were not discussed.—A. Well, I still feel that prices were not discussed, the establishment of prices.

By Mr. Dyde:

Q. You say you still feel that?—A. Yes.

Q. But you must know whether or not prices were discussed at any of these meetings. Were they?—A. I can remember one meeting in which some chap said something about price and somebody else jumped on him at once and said that must not be discussed, that sort of thing.

By the Chairman:

Q. What meeting is this you are referring to?—A. This was a meeting of the Ontario Association in Toronto.

The CHAIRMAN: Is that the meeting you are referring to, Mr. Mayhew?

Mr. MAYHEW: I am referring to all. I have attended a good many meetings of associations in the last four years. While I can conceive there was no price setting and I can understand the nature of these meetings yet I cannot understand a meeting of a group of this kind getting together and prices not being mentioned in some way.

Mr. IRVINE: I should like to ask counsel to press for an answer to that question he has just asked because we had another witness who attended this particular meeting that we have been discussing who was very hard pressed on the question. I should like to have Colonel Ruttan's definite statement on that.

By Mr. MacInnis:

Q. I should like to ask the witness a question. He said he remembers a certain meeting at which one member raised the question of price and that he was jumped on right away?—A. Right.

Q. And that ended it?—A. Yes.

Q. Does that mean that it is out of order in your association meetings to discuss prices?—A. Most definitely it would be so far as I am concerned at any time. The thing is too clear.

By Mr. Winters:

Q. You would discuss costs, though?—A. We certainly will discuss our costs, details of operations and everything else.

By Mr. Mayhew:

Q. How could you discuss costs without prices coming up. I am not saying it is wrong.—A. I know.

Mr. IRVINE: How can you get your cost picture without discussing prices?

The CHAIRMAN: May we have an answer to Mr. Mayhew's question? Mr. Mayhew says how can you discuss costs without prices?

The WITNESS: You can discuss costs without prices very easily because it is thoroughly understood—

Mr. MAYHEW: Did you discuss—

Mr. FLEMING: The witness did not finish his answer. There are two or three people putting questions at once. Let him finish his answer.

By Mr. MacInnis:

Q. Are not your costs somebody else's prices—

Mr. FLEMING: The witness had not finished his answer. Let the reporter read the answer.

The CHAIRMAN: I think his answer was not finished.

The WITNESS: What was the last question?

By Mr. Mayhew:

Q. There is quite a difference in discussing costs and profits, but you would certainly discuss costs. They would certainly come up at any meeting, would they not?—A. Costs, yes, there is no question.

The CHAIRMAN: Mr. MacInnis, you have a question?

Mr. MACINNIS: I do not know whether or not I have a question now. I cannot understand how he can discuss costs without relating costs to something, and having to relate it to something I assume the thing to relate it to is price. Would it not be the logical thing in your meetings for someone to discuss costs and when he had indicated his costs to say, "I cannot sell at a lesser price than that", some particular figure. Would that not be the case?

The WITNESS: Yes, but if one individual did start that way then immediately it would be understood in that meeting that those costs or selling prices that you are getting at must not be discussed or agreed.

By the Chairman:

Q. Why, Colonel Ruttan?—A. Because it is laid down.

Q. Laid down where?—A. As I understand it from the Combines Act—

Q. Oh, I see.

Mr. IRVINE: The cat is out of the bag now. I can understand.

Mr. MERRITT: Every man knows the law.

By Mr. Pinard:

Q. Would it be safe to say that the great percentage of the baking industry is controlled by millers in Canada?—A. The great percentage,—oh, no, I would not say so.

Q. Can you give the percentage of the total volume of the baking industry in Canada controlled by millers?—A. I have not got those figures, but there are some 3,000 bakers in Canada.

Q. Do you have an idea? Is it possible for you to give an estimate, a percentage?—A. I have not been in touch with those total figures for so long I would not like to hazard a guess.

By Mr. Mayhew:

Q. Have you ever been at a meeting of the association that resulted in an increase in the price of bread? As the result of that meeting there was an increase in the price of bread?—A. No.

By Mr. Dyde:

Q. Did you know that Christie's were going to increase their price before they actually did it? Did you yourself know?—A. I would have to think that over. I think probably Dan Wilson would have mentioned it to me.

Q. And did you know when the prices were increased by other bakers before they were increased?—A. No, I do not think I did.

Q. How did Mr. Dan Wilson inform you?—A. Well, I had a number of discussions with him at different times in regard to his position. His was one of those companies that was showing a pretty steady loss.

Q. I am just asking you how he told you?—A. That is how it would come about.

Q. How did it come about?—A. I say, from the fact that he would have been showing—

Mr. WINTERS: I am having difficulty hearing this.

The CHAIRMAN: Mr. Winters, who hears very well, is having difficulty hearing you.

By Mr. Dyde:

Q. I am asking you how Mr. Wilson informed you, by what means he informed you that his price was going to go up? Was it by telephone, letter, did he meet you on the street?—A. No, in going back and forth, talking to him in his office at different times—I presume it would be one of those occasions.

Q. This is not long ago. This is within a comparatively short time. Can you be specific about this?—A. I am afraid I cannot be more specific.

Q. It was in conversation. Were there others present during the conversation?—A. Well, I cannot pin that down.

Q. Do you know that there were not others present?—A. It is a question—it would be in his own office—whether or not there would be someone there I cannot say.

Q. Was it in his own office?—A. That, I cannot say.

Q. Was it in a hotel room?—A. Well, I cannot say.

Mr. DYDE: All right.

By Mr. Pinard:

Q. After you were informed of that increase, perhaps by Mr. Wilson, did you advise the members of your association? Did you advise the members of your association of that increase or of the decision taken by Mr. Wilson?—A. Yes, I believe I did speak to some of them about it.

Q. What was the occasion? Was it a meeting?—A. At their different offices.

Q. What was that?—A. At their offices.

Q. By telephone or how? How did you do it?—A. By calling on them.

Q. You called on them and informed them of Mr. Wilson's decision. Is that what you did?—A. Not necessarily.

Q. I should like to know what you did.—A. Well, I heard, as I say—no doubt, I spoke to some of them.

Q. You know; did you call?—A. That I cannot say definitely.

Q. Would you know who were the ones you called?—A. No, I would know the logical ones to call would be the principal bakers in the city.

Q. How long after you had heard about Mr. Wilson's decision did you call them?—A. That is just the point; I am not too clear on that.

Q. Was it the same day?—A. I would say, presumably.

Q. Presumably the same day?—A. Close to it.

Q. Would that explain why the increase was made at the same time by all the others?—A. They would know immediately, anyway, when it came out.

Q. From your information, I suppose?—A. From the price of bread on the street.

Q. Why would you take the trouble to inform them, then?—A. I would inform them on anything.

Q. Is that one of the duties for which you have been appointed director of the Ontario association, to keep them informed of a rise in price?—A. It would be a matter of general interest.

Q. So far as you are concerned, it is one of your duties to inform the members of the association when a rise is decided by one of the bakers?—A. Well, I should certainly not say that is a specific duty.

Q. But did you consider it a duty?—A. Eh?

Q. Do you consider it a duty?—A. I think if I knew it, I would pass it on.

Q. What was your purpose in informing them of this raise?—A. To acquaint them, presumably, with the trend which was taking place.

Q. Did you then suggest to them that they do the same?—A. Eh?

Q. Did you then suggest to the ones you called that they do the same?—

A. Certainly not.

Q. Why?—A. No. It would be quite obvious what they would do.

Q. It was quite obvious, so why call them and inform them if you had no purpose in doing so?—A. Why not? To keep them posted.

The CHAIRMAN: I wonder if it would not be helpful—I am addressing myself to counsel now—if we could have prepared for us the prices of bread now in selected areas of Canada, particularly in the east, and make that comparative. The statement should be made comparative to the price of bread in September last, say, and some period back.

Mr. MACINNIS: What date in September, before and after?

The CHAIRMAN: Before and after.

Mr. JOHNSTON: Would you include the different brands, such as the 10 cent loaf?

The CHAIRMAN: I think so. I believe the Secretariat could work that out for us.

Mr. DYDE: I think that would be possible. Of course, as witnesses come before you, they will be giving the prices of their various brands of bread. However, we will be glad to try to work out something which would be helpful in that way.

The CHAIRMAN: I think it would be helpful. For instance, the price of bread right now in Toronto is what?

The WITNESS: Anywhere from 10 to 14 cents.

The CHAIRMAN: What is the price of bread in Montreal, do you know?

The WITNESS: No, I do not know.

The CHAIRMAN: It is much higher than that?

The WITNESS: I do not think so. I think it is about the same.

By Mr. Winters:

Q. Is your association limited to Ontario?—A. Yes.

Q. Is there an over all association for Canada?—A. Yes, there is the National Council for Canada.

Q. Are you concerned with that, officially?—A. No.

Mr. PINARD: It might be a good idea to have a member of the National Council appear.

The CHAIRMAN: I am coming to that. Mr. Fleming raised that very point with me on Thursday. In asking for a summarized table, I had in mind the desirability of calling a witness who has already indicated his desire to appear before the committee, representing the national body. What I am anxious to get before the committee is a table to give us a comparative picture. I am afraid we are not getting that. We are dealing with each individual witness. If we had had this table at the beginning, it might have been very helpful. Before next week it would be helpful, I believe, to have such a table. We have some important witnesses coming next week.

Mr. IRVINE: You mean a table of comparative prices?

The CHAIRMAN: Yes.

Mr. IRVINE: Could you not include in that the comparative actual value of what is in the various loaves?

The WITNESS: May I suggest you call Mr. Sparks, who is executive secretary of the National Council of the baking industry and who really prepared these forms.

The CHAIRMAN: Counsel has made some arrangements and we have to be guided by him. What do you say about that Mr. Dyde?

Mr. DYDE: I can hold off witnesses who are not here. I am bound to say, however, there is one witness who has been standing by waiting for Mr. MacDonald's evidence to be completed. It was difficult for me to say to that witness that we would not be completing that evidence until some specific date. He has been here now for a week, I think.

The CHAIRMAN: That is the representative of the A & P?

Mr. DYDE: The A & P, yes. In fairness to them, I think it would be difficult to ask them to stand down out of their turn. If the committee desired it, I could make arrangements quite easily for the witnesses to follow to stand down and not to come.

The CHAIRMAN: I think there may be a special reason for A & P coming on earlier.

Mr. DYDE: I think there was.

The CHAIRMAN: I think we ought to be guided by counsel in this matter.

Mr. FLEMING: Could we leave that matter to be worked out by the steering committee? I think, as you have said, Mr. Chairman, we should have a broader picture than any one witness has been able to give us. While Mr. Sparks is probably the man who could give us that, it would save us a lot of time in trying to put the picture together by bits and pieces, if we had this table.

The CHAIRMAN: I suggest that the Secretariat, over the week-end, try and work out something like that. We will see whether or not it meets our wishes on Monday.

Nov. Doc
Can
Com
P

(SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

MONDAY, MARCH 1, 1948

WITNESSES:

Mr. James M. MacDonald, Secretary-Treasurer, General Bakeries Limited,
Toronto.

Mr. R. P. Sparks, Executive Secretary, National Council of the Baking
Industry, Ottawa.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., LL.B.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



MINUTES OF PROCEEDINGS

Monday, March 1, 1948.

The Special Committee on Prices met at 11.00 am., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, Winters.

Mr. H. A. Dyke, K.C., Counsel to the Committee, in attendance.

Counsel filed:—

Exhibit No. 26—Statement showing wheat price to millers for No. 1 Manitoba, Northern, per bushel, basis in store, Fort William.

Exhibit No. 27—Statement showing Bread prices, retail, 24 ounce loaf, wrapped, unsliced, as compiled from information supplied to the Committee by representatives of Loblaws, Dominion Stores and General Bakeries Ltd.

Mr. James M. MacDonald, Secretary-Treasurer, General Bakeries Limited, was recalled and further examined. He filed:—

Exhibit No. 28—Copy of agreement made the 17th day of April, 1946, between General Bakeries Limited and Purity Flour Mills Limited. (*Printed as an appendix to this day's proceedings*).

Exhibit No. 29—Statement showing ingredient and wrapper cost per 24 ounce loaf at various dates, based on Montreal prices, as prepared by General Bakeries Ltd.

At 2.20 p.m. the Vice-Chairman took the Chair.

The question having arisen as to whether the witness should disclose certain information, including executive salaries, the Vice-Chairman ruled "that there will be full disclosure by the witness to counsel, and that information disclosed will be available to any or all members of the Committee, and the Committee will decide in due course as to whether that or any part of that information will be spread upon the record."

And Mr. Fleming having appealed from the Vice-Chairman's ruling, the ruling was sustained.

At 1.00 p.m. witness retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, Winters.

Mr. H. A. Dyke, K.C., and Mr. Monet, K.C., Counsel to the Committee, in attendance.

Mr. MacDonald was recalled and further examined.

Witness retired.

Mr. R. P. Sparks, Executive Secretary, National Council of the Baking Industry, was called, and sworn. He read a statement and was examined. He filed,

Exhibit No. 30--Membership list, National Council of the Baking Industry.

At 6.00 p.m. witness retired and the Committee adjourned until Tuesday, March 2, at 11.00 a.m.

R. ARSENAULT

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MARCH 1, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will come to order.

I would just like to say at the beginning that yesterday I received several calls from various consumer organizations and I told them that the steering committee would be appraised of them, and that they will undoubtedly, be given an opportunity of being heard. One of those from whom I received such representations was the Canadian Association of Consumers. It will be necessary for us to have a meeting of the steering committee this afternoon to deal with their date. They want a specific date around the 11th or 12th of March. However, we can discuss that at the meeting of the steering committee which I will call for later this day. Many other such representations are being received now and they will, of course, be referred to the steering committee for consideration and suggestion to the main committee as to what can be done about them.

Mr. DYDE: I believe that you wish to say something to the committee.

Mr. MACINNIS: Before he does that, Mr. Chairman; have we got a report from the steering committee on the matter of commercial rentals which was specifically referred to them?

The CHAIRMAN: I believe we will have to have another meeting on that matter, but we may be able to deal with it when we meet before 4 o'clock today, Mr. MacInnis.

The CHAIRMAN: Mr. Dyde.

Mr. DYDE: Mr. Chairman, at an earlier session, and in fact during a number of early sessions, information was requested from various sources and that information is now coming in and I thought it would be easiest if I chose the most appropriate time for filing these various documents. For example, I have this morning an answer to a question which was raised as long ago as page 55 in relation to the price of flour; and it seemed to me that I should get these documents before the members of the committee formally perhaps each morning as they come in. This is a document with regard to the wheat price to millers supplied by the Dominion Bureau of Statistics; and that will be Exhibit No. 26:

EXHIBIT No. 26: Wheat price to millers.

SPECIAL COMMITTEE ON PRICES

WHEAT PRICE TO MILLERS FOR No. 1 MANITOBA, NORTHERN, PER BUSHEL,
BASIS IN STORE, FORT WILLIAM

August, 1939	54·9 cents
October, 1941	73·7 "
August, 1942	77·375 "
December 1945 to September 15, 1947.....	77·375 "
September 15, 1947 to February 14, 1948.....	158·50 "

(Furnished by D.B.S. in reply to question on page 45 of "Minutes of Evidence.")

February 25, 1948.

Then, while that is being distributed, you will recall, Mr. Chairman, that on Friday you suggested that the secretariat might perhaps work out something with regard to the various changes in the price of bread, and there has been prepared a mimeograph form, which I would also like to bring before the committee, showing bread prices both retail and wholesale; although I think that the retail price is perhaps the one in which the committee is most interested.

The CHAIRMAN: Just one minute, Mr. Dyde. Gentlemen, I presume that this Exhibit No. 26 will be printed in expenso in the record?

Some hon. MEMBERS: Agreed.

Mr. DYDE: Then, about the information which was requested on Saturday and which is headed "Special Committee on Prices—bread prices, retail"; that is a document which has been compiled from the evidence which has already been given. I think it is fair for me to say from my knowledge of the witnesses who will appear before the committee in future that it is fairly typical or representative of the price trend. That will be Exhibit 27.

EXHIBIT No. 27: Bread prices—retail.

EXHIBIT 27

SPECIAL COMMITTEE ON PRICES

BREAD PRICES—RETAIL

24 ounce loaf, wrapped, unsliced

BAKERS' FIRST QUALITY	Toronto	Ottawa	Montreal
At 1 September, 1947	10c	10c	10c
Dates of subsequent changes:			
16-18 September, 1947	13c	13c	13c
27 January, 1948 to 2 February, 1948	14c	13c	14c
CHAIN STORES (Loblaws and Dominion)			
At 1 September, 1947	2 for 15c	2 for 15c	2 for 15c
Dates of subsequent changes:			
18 September, 1947	2 for 15c	2 for 15c	10c
22-25 September, 1947	10c	10c	10c*

*On 27 January, 1948, Dominion Stores increased their price in Montreal to 11c but on 3 February, 1948, restored the former price level.

BREAD PRICES—WHOLESALE

24 ounce loaf, wrapped, unsliced

BAKERS' FIRST QUALITY	Toronto	Ottawa	Montreal
At 1 September, 1947	7·45c- 8·00c	7·45c- 8·50c	8·10c- 9·00c
Dates of subsequent changes:			
16-18 September, 1947	9·85c-11·00c	9·85c-11·00c	10·80c-12·00c
24-25 September, 1947	9·85c-10·50c		10·80c-12·00c
1 November, 1947	9·36c-10·50c	9·36c-11·00c	10·80c-12·00c
27 January, 1948 to 3 February, 1948	10·35c-11·50c	9·45c-11·00c	11·25c-12·50c
CHAIN STORES (Loblaws and Dominion)			
At 1 September, 1947	5·95c- 6·50c	5·95c- 6·50c	6·25c
Dates of subsequent changes:			
18 September, 1947	5·95c- 6·50c	5·95c- 6·50c	9·25c
24-25 September, 1947	8·45c- 9·50c	8·45c- 9·00c	9·25c
2 October, 1947	8·45c- 9·00c	8·45c- 9·00c	9·25c
1 November, 1947	8·10c- 9·00c	8·10c- 9·00c	9·25c
1 January, 1948	9·00c	9·00c	9·25c
27 January, 1948	9·00c	9·00c	9·75c
3 February, 1948	9·00c	9·00c	9·50c

NOTE: The above information has been compiled from information supplied to the Committee by representatives of Loblaws, Dominion Stores and General Bakeries.

The CHAIRMAN: Mr. Dyde has another suggestion to make to the committee as to the business of the week and the way in which it should be met.

Mr. DYDE: Mr. Chairman, there are a few remarks which I thought might be helpful for the committee. As you yourself have clearly expressed the matter on more than one occasion, it is the purpose of this committee to bring out the facts and the members of the committee both individually and collectively have been most helpful in this respect. There was a degree of urgency at the commencement of the proceedings of the committee which I think involved our going forward to examine into matters with respect to bread with the utmost dispatch, and the committee has usefully spent some time furnishing itself with background material not only with respect to bread but also in a wider area which will be most helpful; and it is essential in my view for the purposes of the inquiry into other matters to which the attention of the committee will no doubt be directed. I think it is fair to say that the committee would have been unable to carry out its duties effectively without that preliminary inquiry which has taken place.

However, I consider it my duty to assist the committee to the fullest extent of my powers, and mindful of that duty, I thought that at this particular stage of our work I might perhaps call attention to one or two matters. With regard to bread I shall not attempt at this minute to review the evidence which has already been given. It would, however, I think be useful and helpful to the committee were I to direct your attention to one or two items in addition to the memoranda which has been filed as Exhibit 27. In doing so I realize fully the danger of any over-simplification, and so I hasten to add that I am not in any way attempting to direct the committee or to circumscribe or limit the scope of its inquiry. We have received evidence which will in fact be repeated by future witnesses showing the three-cent price increase in September of 1947 followed by a one-cent increase late in January or early in February of 1948. That, in essence, is what has happened as far as the consumer is concerned to the price of bread. In his evidence, on page 534, Mr. Taylor made some remarks which I thought it worth while to call to the attention of the committee. Towards the bottom of the page, in speaking about the meeting that was held in Toronto and about his instructions to Colonel Ruttan, he said:—

I also told him that all the talk in the papers about a 4 or 5 cent increase in the price of bread was, in my judgment, excessive. I reminded him we had no detailed up-to-date costs of baking bread, but I did not think any increase in excess of 3 cents a pound could be regarded as warranted, and I hoped that, out of the competitive situation which was then developing, a possible price as low as two for a quarter might emerge.

And a little later on, page 536, in answer to a question by Mr. Pinard, Mr. Taylor said: (And he was replying to a question by Mr. Pinard as to whether a 4-cent increase in price of bread was justified):—

I cannot say, Mr. Pinard, because since September there have been a number of further changes in the elements of cost.

A little lower down on the page Mr. Taylor also said:—

In September, 1947, it was our judgment that four cents was an unnecessarily high increase.

Now, there are other parts of the evidence that I might have chosen to substantiate that.

Mr. JOHNSTON: Excuse me, Mr. Dyde, but just for the record; did not Mr. Taylor correct that about the 16-ounce loaf?

Mr. DYDE: Oh, I should have said that; in the next sentence he stated that the three cents per loaf about which he had been speaking was in reference to the 24-ounce loaf. Thanks.

Then, without marking the specific page reference, I also thought it worthwhile to remind the committee that Mr. McGregor gave the committee assistance and guidance as to what the committee might do, and no doubt as a result of his evidence the committee was made aware of some ways in which the inquiry might be limited. Having these things in mind and having in mind the terms of reference to the committee and my duties as I conceive them and having in mind that we are dealing with a particular commodity, I suggest that the members of the committee in examining the witnesses and the evidence of the witnesses who will appear before the committee in the next few days, direct particular, although not exclusive, attention to the justification or otherwise of the recent one-cent increase in the price of bread, and to the margin or mark-up which appears in the handling of particular sales, and to other matters which have reference directly or incidental thereto. It is merely a suggestion and it is made entirely, Mr. Chairman, in an effort to assist the members of the committee in the great work which is before them.

I would call Mr. MacDonald.

Mr. FLEMING: Mr. Chairman, before you do that, could we have a little further light on that statement as to the bearing of the three-cent increase in the fall?

Mr. DYDE: I thought that my remark was simply a suggestion, not a direction.

Mr. FLEMING: I appreciate that, and I wondered what the purport intended to be as applied to the increase in the fall. I appreciate that counsel has suggested we direct our attention particularly to the one cent increase which occurred on some brands in some places in late January or early February, but I do not quite grasp the significance of the suggestions so far as affects the 3 cent increase on September last?

Mr. DYDE: I would like to say there is no particular significance with regard to the 3 cent increase. I am not trying to direct attention away from that. I am simply trying, perhaps, to spotlight the later increase, but by no means take attention away from the other matter.

Mr. MACINNIS: Does Mr. Dyde have in mind that with the information received from the Chairman of the Wartime Prices and Trade Board it would seem that the 3 cent increase in September, after the subsidies were removed, was reasonable, all the circumstances being taken into consideration?

Mr. HOMUTH: Well now, Mr. Chairman, on the question as to whether that 3 cent increase was reasonable or not, I do not think we are in a position to judge whether it was or not.

Mr. MACINNIS: I am not saying it was. I am saying on the evidence given by the chairman of the Wartime Prices and Trade Board it would appear that they considered at that time, based on the information which the board had, that an increase of 3 cents was indicated.

Mr. HOMUTH: The fact of the matter was he admitted in his evidence that they had not gone into the cost of producing a loaf of bread, and that the question of a 3-cent increase at that time was just more or less of a guess.

The CHAIRMAN: I do not think that is the evidence.

Mr. MACINNIS: He went further than that. He indicated that while they had not gone into the cost that if the increase was more than 3 cents they would go into the cost.

Mr. HOMUTH: But they had not gone into the cost.

The CHAIRMAN: At the beginning of an inquiry of this kind we have possibly proceeded in many directions, and I think perfectly justifiably in the light of the character of certain evidence, but the purpose of counsel's statement this morning, I take it, was not to pass judgment at this stage but to give an indication that by possibly concentrating on certain phases in the light of the witnesses of this week we might achieve more speedily the results that this committee wants to achieve. I think that was the only purpose of counsel's statement this morning. It was to help us. I do not know what usefulness would be attached to a general discussion now on whatever evidence there may be before us. I think that should come later.

Mr. HOMUTH: The 3-cent increase was more or less at the suggestion and encouragement of a government representative in the Wartime Prices and Trade Board. We have got to admit that because that was given in evidence.

Mr. CLEAVER: I think they were interested in urging the increase should not exceed 3 cents.

Mr. HOMUTH: Three cents would be quite satisfactory to them.

The CHAIRMAN: Yes, that is right. The evidence is in September that price was a warranted price, to use the witness' own language. What Mr. Dyde has directed our attention to is whether or not the recent 1-cent rise is justifiable. We ought to pursue that relentlessly this week with the witnesses we have to see whether it is, and if it is not to see what can be done to bring it down. I suggest we allow counsel to proceed as quickly as possible.

Mr. FLEMING: Mr. Chairman, I do not want to see the matter closed just there. I would be the first to co-operate in any suggestion that would expedite the inquiry—

The CHAIRMAN: You have been.

Mr. FLEMING: Because we are not getting ahead very quickly. We all realize that. At the same time I do not know that I can concur in the suggestion. I do not think Mr. Dyde is going this far, but I want to be quite sure the interpretation is not put on his suggestion that we should in any sense close our eyes to what happened in September because I think it is fair to say on the evidence of every witness called so far the two things are intimately tied up together. I do not think anyone has suggested, either witnesses from the Wartime Prices and Trade Board or witnesses from the chain stores, that the increase of 3 cents in September satisfied everybody all around up to that point, and that when you come to January you have an entirely new situation. I think we have got to allow the members to draw their own conclusion in that respect and use their own judgment—

The CHAIRMAN: That is right. That is agreed. We all agree on that.

Mr. FLEMING: —in the way they conduct their examination.

The CHAIRMAN: May we get on now? We are all agreed to that.

Mr. CLEAVER: I do not want to hold up the work of the committee but I should like to urge that counsel bring witnesses before the committee in regard to the mark-up, and in regard to a question that has already been raised, and about which I am very much concerned, that retailers would be denied their source of supply if they did not maintain the retail price as fixed by the baker.

I have had one large retail merchant complain to me over the weekend, a merchant who wanted to sell the 14-cent loaf at 12 cents, and who was told that if he did he would not get his source of supply. I should like to urge that counsel bring the sales managers. I think Mr. Smith is the sales manager of Dominion, is it?

James Michael MacDonald, Secretary-Treasurer, General Bakeries Limited, recalled.

The WITNESS: General Bakeries.

Mr. CLEAVER: This witness has already told us that if there was any such practice the sales manager of that firm would be the man who would know about it.

The CHAIRMAN: I am going to make one final observation and then I am going to ask that we go right on. With regard to progress of the committee, we have been given a very difficult assignment. We must not be impatient. In the very nature of things, examinations while they may not appear to be giving certain results, may have that very effect. What I say now is not for the members of this committee but for the public generally. We are not drawing hasty conclusions. Our work is going to be thorough and on that account perhaps seemingly at times unduly protracted. I make that statement for a good reason that ultimately will be seen, perhaps in the course of the examination today. All right, Mr. Dyde.

By Mr. Dyde:

Q. Mr. MacDonald, at page 462 of the evidence you were asked to produce a copy of the contract between General Bakeries and Purity Flour Mills. Have you that contract?—A. Yes, I have.

Q. Will you produce it?—A. Yes, sir.

Mr. DYDE: Exhibit 28. I regret there has not been time to copy this contract as yet but it has been produced.

EXHIBIT No. 28: Contract dated April 17, 1946, between General Bakeries and Purity Flour Mills.

Mr. FLEMING: The date?

The CHAIRMAN: This is a contract between General Bakeries Limited and Purity Flour Mills dated the 17th of April, 1946.

By Mr. Dyde:

Q. At page 474 of the evidence you were asked to give some ingredient costs. I think you have prepared some figures in tabular form with regard to that?—A. Yes, I have this table here which I should like to submit.

Q. This is a statement entitled "Ingredient and wrapper cost per 24 ounce loaf at various dates", prepared as a result of the committee's inquiry. Exhibit 29.

EXHIBIT No. 29: Statement *re* ingredient and wrapper costs per 24-ounce loaf.

INGREDIENT AND WRAPPER COST PER 24 OZ. LOAF AT VARIOUS DATES

Prepared by J. M. MacDonald and S. R. Saxby of General Bakeries Limited.

Based on Montreal Prices.

	Quantity lbs.	oz.	Aug. 1939		Sept. 1, 1947		Sept. 17, 1947		February 17, 1948	
			lb. Price in cents	Value	lb. Price in cents	Value	lb. Price in cents	Value	lb. Price in cents	Value
				\$		\$		\$		\$
Bakers Patent Flour.....	550		2-0	11-00	2-13	11-715	4-21	23-155	3-895	21-423
Yeast.....	10		15-0	1-50	15-0	1-50	15-0	1-50	16-0	1-60
Yeast Food.....	15	8	5-5	0-028	6-50	0-033	6-50	0-033	6-5	0-033
Salt.....	15	2	0-8	0-121		0-121		0-121	0-8	0-121
Lard.....	16	8	7-25	1-196		3-548	21-50	3-548	21-5	3-548
Malt Syrup.....	10		8-25	0-825	9-00	0-90	9-00	0-90	10-00	1-00
Milk Powder.....	16	8	8-25	1-121	14-50	2-393	14-50	2-393	15-50	2-558
Sugar.....	10		4-80	0-48	7-94	0-794	7-94	0-794	7-94	0-794
Total.....				16-271		21-004		32-444		31-077
Dough Cost per loaf in cents.....				2-805		3-621		5-594		5-357
Dusting flour—pan oil etc. per loaf.....				0-075		0-100		0-150		0-150
Wrappers—per loaf.....				0-330		0-454		0-454		0-480
Total.....				3-210		4-175		6-198		5-987
Increase cost of ingredients and wrappers only—c.....						0-965		2-988		2-777
—%.....						30-00%		93-08%		86-51%

1. Average increase in net price per loaf for 19 weeks ending January 28, 1948—over average price of the 24 weeks preceding decontrol..... 2-89c
 2. Calculated increase in ingredient prices from August 1939 to February 1948..... 2-78c
 3. Production cost increase for 4 week period ending Feb. 4, 1948 over average for first fiscal year ending April 2, 1947..... -12
 4. Selling and distribution cost increase for 4 week period ending Feb. 4, 1948 over average for first fiscal year ending April 2, 1947..... -52
 5. Administration Insurance and taxes increase for 4 week period ending Feb. 4, 1948, over average for first fiscal year ending April 2, 1947..... -12
- Total of increase..... 3-54c
6. Indicated increased costs per loaf over increased return to company per loaf up to but not including the last increase price..... -65
- Note: Items 3, 4 and 5 cannot be calculated for any period earlier than indicated because General Bakeries Limited was not in operation and records therefore not available.

Mr. FLEMING: Before we pass on, is it the intention to copy exhibit 28 in the appendix to the proceedings?

The CHAIRMAN: Shall we defer that and see what comes out of it?

Mr. FLEMING: Has Mr. Dyde any suggestion on that?

Mr. DYDE: I think it would be sufficient in the appendix.

Mr. FLEMING: You have to give directions for printing.

The CHAIRMAN: All right.

By Mr. Dyde:

Q. Before leaving that, Mr. MacDonald, would you explain how that is made up?—A. Yes.

Mr. JOHNSTON: You are referring to exhibit 29?

Mr. DYDE: Exhibit 29.

The WITNESS: We took a formula which is not necessarily one that we use ourselves, but I think it could be recognized by a baker as being a standard formula, you might call it. We applied the costs in August, 1939, and worked out from them a per-loaf cost which is in the first column headed "Value" shows 3-210 cents. As you see, that includes also the cost of wrappers as well as ingredients.

Then in September 1947, that cost per loaf has increased by .965 cents to 4-175 cents. The point I should like to make there is up to that time the cost of ingredients and wrappers alone had increased by .965 cents, almost a cent on a 24-ounce loaf ignoring all the other costs of operations.

At September 17 the cost became 6.198 cents, an increase of practically 3 cents over August, 1939. By February 17 it had declined to 2.777 cents increase over the 1939 loaf cost.

Then if we go down further on the page we have the average increase in net price per loaf for 19 weeks ending January 28, 1948, over the average price of the 24 weeks preceding decontrol, of 2.89 cents.

By Mr. Fleming:

Q. Do I understand the 19 weeks begin with decontrol?—A. Yes. That was 2.89 cents. The calculated increase in ingredient prices over the whole period covered by this table was 2.78 cents. For the four-week period ending February 4, 1948, the production cost increased over the average for our first fiscal year by .12 cents per loaf. Selling and distribution costs increased in that February 4 period over the first fiscal year by .52 cents. Administration, insurance and taxes increased on the same comparison by .12, giving a total increase of 3.54.

I should like to point out that items 3, 4 and 5 cannot be calculated for any period preceding our first fiscal year because we simply do not have the records. I suggest that some other company might be able to supply the committee with historical figures going back further than that. Item 6 indicates that the increased cost per loaf over the increased return to the company per loaf up to but not including the last price increase was .65 cents.

By Mr. Dyde:

Q. When you speak of the last price increase you are referring to the one a few days ago—February?—A. Late in January.

Q. January, February?—A. Yes.

Q. So that we may complete the tag ends of your former evidence before going on more generally may I refer to page 477 of the evidence where we were discussing your inventories. Have you further information now for the committee as to inventories?—A. Yes, I have, but may I comment on the evidence as printed?

Q. Yes.—A. In the middle of the page there is a question:—

And were those inventories higher or lower than normal for that period of the month?

At the time that question was asked I did not understand that there was a reference to the period of the month. Then there is printed as the answer:—

There are considerably more, sir.

My answer to that was, "They are considerably lower, sir".

Mr. LESAGE: I do remember the answer was "lower".

By Mr. Dyde:

Q. You would like to have that corrected?—A. I should like to have that corrected.

Q. To "lower" instead of "more".—A. To lower as applying to the general size of our inventory and not to a particular time of the month because there is no specific variation in inventory according to the time of the month. I should also like to refer to the answer as printed to a question put by Mr. Cleaver immediately below that section. I believe his question was:—

These stocks on hand at Montreal and Toronto representing 300,000 loaves would be sufficient to cover a good many days' production, would they not?

The answer as printed does not seem to be correct. I did say, "It would be slightly less than a week".

Then, the rest of the answer I think should read this way:—

The company established a policy, in the latter part of the April period—that is our April accounting period—of reducing inventory of all supplies of material, so that at the time—that is September—our inventories happened to be at the lowest point of some months.

Q. Following that, Mr. MacDonald, could you now give us the figures?—A. There is no change in the figures which I gave for Montreal. As for Toronto, the actual amount of flour on hand at the time the price went up would be approximately 433 barrels.

Q. You said 663?—A. I did.

Q. You now say 433?—A. Yes. The 663 barrels did not take into consideration about 230 barrels used for regular bread prior to when the price increased for that bread.

Q. Then, the figure for Montreal does not change, it remains at 469?—A. That is correct.

Q. Then farther down, there is a question.

How much inventories were used before the price of bread was increased?

A. Well, those figures I have just given you are our inventories just prior to the price increase.

Q. But the question was, how much were used before the price of bread was increased, and you say that is the figure?—A. Well, in Montreal there was none of the 469 used.

Q. Yes.—A. In Toronto, there would have been 230 used, bringing the net figure down to 433.

Q. The next item with reference to your former evidence to which I wish to refer is at the bottom of page 477 and at the top of page 478. In the course of that evidence, I said, "As far as you know no retailer has ever sold below that," and your answer was, "Yes." The next question was, "They have?" Your answer was, "I believe, or I understand, they have."

Q. "On many occasion?"—A. "I have no idea sir."

That was left rather indefinite. Have you any further information with regard to that now?—A. I was able to secure the name and address of one retailer and the address of two others whom I am told are selling our regular bread at below 14 cents.

Q. Would you give us those names?—A. The name which I have is Lucatch, I believe. His store is on Eglinton Avenue West in Toronto.

Q. Yes?—A. The other two are those for whom I have no names but they are located at 1380 Queen street West and 1098 Queen Street East. That applies, of course, specifically to the bread normally sold at 14 cents.

By Mr. Cleaver:

Q. What are they selling at?—A. I cannot answer that specifically, sir.

By Mr. Fleming:

Q. May I interrupt to ask from whom that information was obtained?—A. From Mr. Smith.

Q. What Mr. Smith?—A. The general sales manager.

Q. Your general sales manager?—A. Yes.

Q. Are those independent stores?—A. Yes.

Q. The three of them?—A. Yes.

By Mr. Dyde:

Q. Have you any further information, other than that, with regard to stores which may be selling below the 14 cent price?—A. When I first telephoned on this question last week, I was told there were perhaps a dozen and a half or two dozen retailers. Then, the next morning, when I was asking specifically for the names, I found that the people in Toronto had misunderstood me and in giving that large number had referred to retailers who were selling what I have referred to already as our special loaf, at or below a normal retail price. But, I believe the question which you asked me the other day specifically referred to the 14 cent loaf.

Q. It did, but if you have information with respect to the other, I would be glad if you would give it to the committee?

By Mr. Fleming:

Q. Before you go on to another subject, could we have the period over which those three independent stores were said to have been selling the 14 cent loaf below 14 cents?—A. I recall reports that Mr. Lucatch started selling below the normal retail price about three weeks ago, but as to the other two, I have no knowledge.

Q. You mean since the recent increase to 14 cents?—A. Yes.

Q. He began at that time or after?—A. At that time, I would say.

Q. In other words, they did not take advantage of the 1 cent increase; is that what you mean?—A. They might even have been selling at less than 13.

Q. I am trying to get the date fixed. They did not raise their price to 14 cents when prices, generally, were raised to 14?—A. I believe not. If they did, they then reduced it.

By Mr. MacInnis:

Q. Would Mr. MacDonald refine exactly what is meant by, "normal retail price?"—A. That, perhaps, was a term misused. By "normal," I mean the going retail price for that particular loaf of bread.

Q. Would that be the price set or suggested by the General Bakeries?—A. The price appearing on our wrapper.

By Mr. Dyde:

Q. Before I leave that, Mr. MacDonald, when the officers of General Bakeries learned that Mr. Lucatch was selling in this way, what action, if any, did the officers of the General Bakeries take?—A. None.

Q. You are sure of that, are you?—A. Positive, sir.

Q. Did any person connected with General Bakeries take any action?—A. I believe not.

Q. Are you sure of that?—A. The answer is difficult because I cannot, personally, know what any one of our salesmen might have said to any one of his fifty or sixty customers. I do know that Mr. Smith, our general sales manager, went to see Mr. Lucatch and agreed to supply him with any amount of bread he wished to purchase.

Q. When did Mr. Smith go to see Mr. Lucatch?—A. Shortly after, or perhaps the day after a press report appeared to the effect, as I recall it, that Mr. Lucatch said he had been, let us say, disciplined by some bakeries.

Q. Who went to see him?—A. Mr. Smith.

Q. Anyone else?—A. Mr. Stewart.

Q. Why did they go to see him? That would not be normal?—A. No, it would be very unusual.

Mr. CLEAVER: Perhaps a change of heart.

The CHAIRMAN: Order.

By Mr. Dyde:

Q. Was it because of some additional information Mr. Smith had that he went, or was it simply on the basis of the newspaper report?—A. As I recall the story as told to me by Mr. Smith, there were two names of retailers which had appeared in the Toronto press. Mr. Smith and Mr. Stewart went to one of these stores in order to assure them that we would not, under any circumstances, interrupt our supplies to them. In that store, I believe they were told that Mr. Lucatch had said that our man had refused to leave bread. Thereupon, they went to see Mr. Lucatch and, as I understand it, found that in the transmission of the information the story had gotten twisted and we were able to assure Mr. Lucatch there would not be any interruption, regardless of what price he would sell at.

By Mr. MacInnis:

Q. Did your salesman actually refuse to leave bread?—A. No, at the time our salesman called that morning there were six loaves of our bread in his store. His normal take from us was six loaves, so our salesman left no bread; that is the story as I understand it.

By Mr. Johnston:

Q. But he still retained his normal supply?—A. Yes.

By Mr. Cleaver:

Q. Did he have an order in for additional bread?—A. I believe not.

Q. He did not ask for any additional?—A. No, sir.

By Mr. Fleming:

Q. Have you got the story on the amount supplied from your company to Lucatch from that time on?—A. No, I have not. I do not believe it would be possible to get it.

Q. Have you any information from Mr. Smith as to the volume, the number of loaves supplied since that time? Has there been any diminution or anything to suggest there has been any departure from normal relations since this incident?—A. I am quite sure we are supplying Mr. Lucatch with what I have already referred to as our special loaf which would be an increase in his normal purchase from us.

By Mr. Johnston:

Q. His normal purchase from you is six loaves of bread per day?—A. That is what I am given to understand.

By Mr. Winters:

Q. Is your price stamped on the special loaf?—A. No.

Q. How do you determine what the normal price would be for that?—

A. We sell that to the retailers at 10½ cents. It is wrapped, inside and out, with a regular wrapper and therefore bears no special brand.

By Mr. Irvine:

Q. I think you said Mr. Lucatch had complained or stated that your company had not left bread; that some of your men went back and made the proper arrangements for Mr. Lucatch to have all the bread he wanted to sell at whatever price he liked. Apparently he only takes six loaves per day?—A. That is his normal practice.

Q. So you could really allow Mr. Lucatch to go ahead without any effect on your price structure or selling price?—A. I should say we would adopt the same policy with any one of the other hundreds of outlets we have if they wished to sell at that price.

Q. That is very important; you make that statement that you would do that for anyone at all?—A. Anyone at all.

By Mr. Fleming:

Q. Has he sold more of your bread at the reduced price than he was selling before? I should like to find that out, if it is possible to find it out. If it is a fact he is selling at what is lower than the going rate, has it resulted in an increase over his previous sales?—A. I will try to get that.

Q. I do not suppose you have the exact information, but perhaps your driver could give us some information?

The CHAIRMAN: On the theory that the cheaper the price the more the sales?

Mr. FLEMING: If it is making any impression on the public, you would expect that.

Mr. LESAGE: Mr. Chairman, I believe that the information that Mr. MacDonald can give us on this part of the point will always be second hand because it is not his branch of the business. I was wondering, therefore, if counsel could not contact Mr. Lucatch so that we could have all the information regarding those facts and counsel could see if it would be useful.

The CHAIRMAN: Well, counsel will note that request.

Mr. JOHNSTON: Of course, he only handled six loaves a day and the volume would not be material as far as the whole trade is concerned.

Mr. LESAGE: Correct; and if something was done we can find out.

The CHAIRMAN: We might be able to get that evidence from another witness who will come later on.

Mr. LESAGE: I do not say that Mr. Lucatch should come here but if counsel contacts him it will be found what, if anything, there is of importance.

Mr. CLEAVER: I entirely agree with what Mr. Lesage says. It is quite obvious that a large handler of bread would not run the risk of disclosing to the committee that his source of supply was threatened.

The CHAIRMAN: All right, Mr. Dyde.

By Mr. Dyde:

Q. Did Mr. Smith or Mr. Stewart make any visit to 1380 Queen St. W., or 1098 Queen St. E.?—A. I believe not.

Q. You are still continuing to supply bread to those stores?—A. Yes, sir.

Q. The varieties that are requested by the proprietors of the stores?—A. Yes, sir.

Q. In the quantities that they wish?—A. I believe so.

Q. I think I will ask you to confirm that from the information you no doubt will be able to get.

The CHAIRMAN: May we dispose of this matter as quickly as possible, and this witness? We have the financial statement which we asked for earlier and which is of interest. Now can we get on to that?

The WITNESS: Yes, Mr. Chairman.

By Mr. Dyde:

Q. In the evidence previously given before the committee, Mr. MacDonald, you were asked to produce the financial statement of the company, that is the financial statement from April 1947 when your last annual statement was produced. Are you now able to produce the statement?—A. Yes, I have it with me.

Q. Would you produce that?—A. Would it be sufficient, I wonder, if I were to give the committee our net return or percentage on sales which happens to indicate a deterioration in our position, without disclosing the actual volume of sales or the actual volume of net profit.

Q. That would be helpful, Mr. MacDonald, but it does not disclose the whole picture does it?—A. No sir, it does not.

Mr. JOHNSTON: Well, Mr. Chairman, I think, if I may suggest, we should be rather cautious regarding the amount of detail in which we go into this company's business. We are setting a precedent and therefore we might have to go into the minutest detail of all the companies that might embarrass them as far as appearing before this committee is concerned.

Mr. CLEAVER: I think the committee is agreed that it would receive the information Mr. MacDonald was willing to freely give and after having studied it the committee would make up its mind as to whether anything more was needed.

Mr. JOHNSTON: I think it would be the better procedure because we might get into things which would be of harm to a particular company.

Mr. DYDE: Can you now give us the information you are willing to give?

The WITNESS: Yes.

Mr. DYDE: Will you please do so?

Mr. CLEAVER: Has this been mimeographed?

The WITNESS: No, it has not. In Montreal, in the sixteen weeks to July 23 the net profit of Montreal and Toronto combined was 3.1 per cent of sales. In the twelve weeks to October 15, the net profit was 1.8 per cent of sales.

Mr. LESAGE: Will you go a little more slowly please?

The CHAIRMAN: In the twelve weeks to October 15 the net profit was 1.8 per cent of sales.

The WITNESS: Yes. In the twelve weeks to December 27, 1947 it was minus 1.1 per cent.

Mr. FLEMING: Minus 1.1.

The WITNESS: In the four weeks to February 4 it was minus 1.8 per cent. Those figures are before deducting for corporate expenses, interest and income tax.

By Mr. Fleming:

Q. Is that for bread alone?—A. No sir, that is for the entire operation.

Q. Have you a breakdown for bread alone?—A. I am afraid it is impossible.

Q. Can you give any information on a comparative basis between bread and other products as far as net profit is concerned?—A. Beyond the point of the direct labour in the bread baking department, we have never in the company broken expenses down as among bread, sweet goods, and cake.

By the Chairman:

Q. Is bread your biggest production?—A. In Toronto, I believe I quoted before 62 per cent, and in Montreal about 51 per cent.

Q. Yes?—A. It would not necessarily follow, however, that proportion of the profit would be assignable to bread.

Q. I think we ought to have this. Your company has been in existence how long?—A. Almost two years.

Q. Two years?—A. Practically, yes.

Mr. MAYBANK: What was meant by corporate expenses?

The WITNESS: I did not get that?

The CHAIRMAN: Mr. Maybank asked what was meant by corporate expenses?

The WITNESS: Just a moment, sir, I will give you that. That would include directors' fees, directors' expenses, trustees' fees and expenses, registrar and transfer agents' expenses, and certain printing and stationery.

By Mr. Dyde:

Q. Now, I noticed, Mr. MacDonald, you have not carried your figures past February 8, 1948 and I call your attention to the fact it was about that time that there was an increase in price. Are you able to give a figure for any period of February 1948 on any profit?—A. I am sorry I cannot. We do not make any accounting, any computation of net, in periods shorter than four weeks.

Q. Well are you able to give any estimate at all, because obviously the price of bread has gone up in that period?—A. Yes, but I must warn the committee that this calculation is subject to refinement. It is the best I can do at the moment because there has been a change just recently in the market. I would estimate that, assuming the volume of bread should continue, an increase of 1 cent would give us an increase return of \$4,780 as between Montreal and Toronto which would result in a net of between $\frac{1}{3}$ and $\frac{1}{2}$ of 1 per cent.

Mr. HOMUTH: Plus?

The WITNESS: Yes.

Mr. CLEAVER: Do you mean plus after wiping out the minus or just plus?

The WITNESS: After wiping out the minus.

Mr. CLEAVER: After wiping out the minus that would give you an increase of how much?

The WITNESS: $\frac{1}{3}$ to $\frac{1}{2}$ of 1 per cent.

Mr. DYDE: Now there are one or two questions also to clear up minor matters.

By Mr. Fleming:

Q. May I just ask a question following Mr. Cleaver's? Assuming the volume of sales is constant, that 1 cent on the loaf is worth to you about $2\frac{1}{4}$ per cent on sales?—A. That is the way it works out in this calculation. I did not notice that relationship before but that would appear to be the result, assuming of course that the volume maintains and the expenses maintain.

Q. Yes, other things remaining constant?—A. Yes. There is a point there of course, that these percentages I have quoted refer to total sales.

Mr. CLEAVER: There is something wrong with these figures.

Mr. MAYBANK: Total sales of what?

The WITNESS: Cakes, and sweets, and everything?

Mr. MAYBANK: Everything?

The WITNESS: Yes sir.

By Mr. Lesage:

Q. What would be the average for your first fiscal year?—A. I do not believe I have that figure here sir. May I make this observation? An Increase of 1 cent in the retail price does not necessarily mean we receive 1 cent more per loaf.

Q. I knew that but I was just asking for the average in your first fiscal year. I thought it would be easier.

The CHAIRMAN: Have you anything else to say, Mr. MacDonald?

The WITNESS: Not on that point.

Mr. MAYBANK: With reference to that 1 cent if you do not mind me just following that up—

Mr. LESAGE: No, that is all right.

By Mr. Maybank:

Q. You remarked when your bread goes up 1 cent that it does not mean you get 1 cent? That is your statement?—A. Yes, sir.

Q. Where does this go? As I understand it, to get this clear, you are selling bread at a certain figure which we will call 13 cents?—A. Yes.

Q. And you decide to sell it at 14 cents, a 1-cent increase. Now you say you do not get all of that 1 cent. How much of it do you get and what becomes of the part you do not get?—There is and was in Toronto at the time of the 3-cent increase an increased margin given to the retailers. I am using that 3-cent period merely as an example of an item.

Q. That is all right.—A. It is also possible that there would be an increase in the amount per loaf paid to the salesman.

Q. Also possible, but is it a fact?—A. It was a fact.

By Mr. Homuth:

Q. Do your salesmen sell on a commission basis?—A. Yes, sir.

Q. And so that if they get 14 cents a loaf naturally their commission would be that much more? They would get a commission on the extra cent or do you reduce their commission?—We reduced their commission but the net result of that was slightly greater than when the retail price of bread was 13 cents.

Q. Now in your sales to retailers you give the retailers a certain discount, do you not?—A. Yes, sir.

Q. So that when you sold the 13-cent loaf you gave a certain discount. When you raised the price to 14 cents did you reduce the discount that you gave the retailers or did you maintain it?—A. Our discount to retailers was on a cent basis, not a per cent basis. But I might point this out too; another factor in reducing our net return on the loaf is our discount policy of 5 per cent on total purchases of \$130.00 or more including bread, sweet goods and cake. When the price increased 3 cents to 4 cents naturally more retailers would attain the required volume, \$130.00, the required volume quantity for the 5 per cent added discount.

By Mr. Harkness:

Q. On the same point, actually what you did, from your statement Exhibit 22, you put the price up on your outlets 3 cents on December 18; on September 24 you took that down again half a cent a loaf to 10.5 cents per loaf; then on January 27 you put it up to 11.5 cents per loaf; and the increase from September is 3.5 cents per loaf. This after the discount to which you referred did not apply to people who did not buy large quantities so that the position is actually that at the present time, at the end of February 9, the last date there, you were getting 3.5 cents a loaf more than you had before controls were taken off?—A. No sir, not quite that.

Q. Well, I mean you are getting 3.5 cents more per loaf from people who buy in quantities of less than \$130.00 a week?—A. We were charging them 3.5 more but we were not getting all the 3.5. There was an increase in the amount of sales, and the more the increase the less we get per loaf.

Q. Yes. I was just trying to clear it up. So you actually got how much out of the increase?—the salesmen got what amount per loaf? or, where should we get that figure? How much more per loaf did he get?—A. It was under or about one tenth of a cent per loaf more at that time.

Q. Three and four fifths?—A. That would be about right.

Q. And three and two fifths cents more than you were getting before?—A. In sales to those retailers who did not qualify for the additional discount.

Q. Yes, and from the other people you were getting about three and one fifth cents?—A. Approximately.

By Mr. Cleaver:

Q. May I refer now to Exhibit 23 which you filed with the committee on Thursday last, to page 8: Your net profits for the year ended April 2, 1947 before tax was \$196,000.00 odd; is that right?—A. That is correct.

Q. At what amount does your standard profit stand?—A. That has not been fixed.

Q. That has not been fixed?—A. No sir.

Q. I note that you have made a provision for taxes of \$75,000.00; do you believe that would be a reasonably accurate amount?—A. Yes, sir.

Q. And that left your company with a net profit for the year's operation of \$121,000.00 odd?—A. Yes, sir.

Q. Now, let us relate that to your capital. On page 7 of the same exhibit you have a paid up capital of \$1,034,000.00 odd; is that right?—A. That is right.

Q. And the amount of surplus is \$118,000.00 odd; making a total employed capital of \$1,153,000.00 odd; so that your net profit for that year is just over 10 per cent after paying taxes and interest?—A. Yes, sir.

Q. As to the amount of your gross sales for the same year, that is not shown in the statement. I wanted to find out, to see what your profit was related to gross sales?—A. Those figures, of course, have never been divulged before.

Mr. CLEAVER: What do you think about that, Mr. Dyde? Do you think we should have that, or not?

Mr. DYDE: I think perhaps, Mr. Cleaver, it is a matter for the committee. It certainly would be a helpful figure for this committee.

Mr. CLEAVER: I do not see that that would be of any interest at all to your competitors. I do not see where it could be harmful in any way. Would you care to give the committee your gross sales for that period?

The WITNESS: I prefer not to, sir; I presume I have to.

Mr. DYDE: Could you put it this way, could you answer that by saying whether it was less than 5 per cent?

Mr. CLEAVER: I would not want that to go on the record, it is so far out; and I do not want to urge the witness to answer that question until he has had an opportunity of thinking it over and until the committee have had an opportunity to decide whether it should be given. Personally, I think it should.

Mr. HARKNESS: In my question a minute ago I think I made a slight mental miscalculation and the witness followed me in it with the result that it makes an error as to profit.

The CHAIRMAN: You two had better get together.

Mr. HARKNESS: The increase they made would actually have been 3.3 per loaf when you take this one fifth off rather than what I said, three and two fifths; and in the other case it would have been 3.1 rather than three and two fifths cents. The reason I had for bringing that up was that counsel directed our attention particularly to this one-cent increase in the price that had taken place and apparently the increase these people had to pay over the first 3-cent increase comes down now to .3 in one case and .1 in the other case; so I think that perhaps would have a fairly important relation to this statement counsel made when he said he wanted particularly to direct our attention to this one-cent increase in price.

Mr. CLEAVER: Then, Mr. Chairman, I have one or two other questions to follow along, if I may.

The CHAIRMAN: All right.

By Mr. Cleaver:

Q. In Exhibit 29—which you supplied the committee this morning—if I read that exhibit correctly am I right in assuming that your costs have increased

from August, 1939 to September 1947, by 2·77 cents per loaf?—A. To September 17, sir.

Q. Yes, that is the third column.—A. It would be 2·98.

Q. If you subtract 3·210 from 6·198 do you not get 2·777?—A. The 2·777 is under February 17.

Q. Yes, I misquoted myself. I was referring to that.—A. That is correct.

Q. Your costs having increased 2·777 and having obtained a 3-cent increase, which you did at that time—or, was it 4 cents increase in the selling price—how do you account for the difference in the increase in costs?—A. In the first place, as I pointed out already, we did not net the 4-cent increase. In the second place, the total increase in ingredients and other costs was 3·54 cents.

Q. Well now, I was coming to that; then, if you want to take in that, the additional ·76 cents appears to be made up of items 3, 4 and 5; is that correct?—A. That is correct.

Q. How do you arrive at that figure ·12? Have you the underlying material with you?—A. That ·12 is the production cost increase covering the average production costs increase on all units of the business. By units I mean 24-ounce loaves of bread, sweet goods and cake, ten retail units.

Q. Well, have you the underlying material; and, are you willing to show that to counsel?—A. Yes, we have the material on that.

Q. Have you the underlying material with respect to item No. 4, selling and distribution costs, ·52?—A. Yes, and No. 5 also.

Q. And administration—in regard to administration, what salary do you pay your general manager?

Mr. FLEMING: We had that question the other day.

Mr. CLEAVER: The question was asked the witness as to what his salary was, but I think head office salaries we should have.

Mr. FLEMING: We had the same question put, Mr. Chairman; I suppose if you are going to take one you will have to take them all.

Mr. CLEAVER: The witness was asked his own salary, and I think the committee felt that was getting a little personal. I think that we should have the head office salaries.

The CHAIRMAN: There is this about it, Mr. Fleming; this company, remember, has only been in existence two years, and I might mention that that is a very important fact. It has given us a financial statement showing its financial position which is not a position which at the moment is any too satisfactory. Now, if that could be explained by certain heavy expenditures—I am not saying that there are—certainly that would be relevant.

Mr. HOMUTH: Well now, Mr. Chairman, I do not know now; I think we should be a little careful in what sort of questions we ask—

The CHAIRMAN: I think so too.

Mr. HOMUTH: —in regard to these things. Let us take the percentage of cost of administration and compare their percentage of cost of administration with other firms.

Mr. CLEAVER: Yes, Mr. Homuth, but I want to try to get you to see my viewpoint on it—also the minister. Here we have a company in which the cost of ingredients only go up 2·777 cents since 1939; since 1939 mind you; and there is a great gap between the increase in cost of 2·77 and the increase in selling price of 4 cents, which they now say put them in the red 1·11—which means a total increase of 5·1 cents per loaf, administration and other costs. Now, I think we have the right to know how that occurred. That is a terrific jump in costs.

Mr. HOMUTH: Well, your production cost here is ·12; your selling and distribution cost is ·52—

Mr. CLEAVER: You don't get my point.

Mr. HOMUTH: Just a minute. You have .278 production cost, .12 is your selling and distribution cost; and then you have the other two items, .52 and .12; making a total increase of 3.54. That increase of .12 in administration is easily understandable—your administration, that would be your salaries and directors' fees and so on, is .12. That is very little of the whole; and it also includes taxes.

Mr. CLEAVER: Are those totals you are giving us, or are they increases?

Mr. HOMUTH: These are increases. What I am saying is that the increase in administration cost, .12, out of a total increase of .354 is relatively quite small.

Mr. CLEAVER: Right. I say the total increase has been shown by the witness' own statement as 5.1. The way I arrive at it is this—here is the way I arrive at it: That the increased selling price there is 4 cents. They say that with that added they were in the red.

Mr. HARKNESS: If that is the increase in the selling price, the increase in the selling price is not 4 cents; it is 3.3 cents in one case and 3.1 cents in the other.

Mr. LESAGE: An average of 3.1.

—Mr. R. Maybank, Vice-Chairman, took the chair.

Mr. HARKNESS: Their increased selling price is $3\frac{1}{2}$ cents.

Mr. CLEAVER: I am talking of cents, and I say the selling price went up 4 cents.

Mr. HARKNESS: You are talking about the retail price?

Mr. CLEAVER: Yes, I am.

Mr. HARKNESS: That is not their price.

The VICE-CHAIRMAN: Just a moment; you are really discussing with each other a point of order, as you might say, but you have got to let one do it at a time.

Mr. CLEAVER: I suggest, Mr. Homuth, that when the cost of their loaf, the entire material cost, has only gone up 2.77 cents since 1939—

Mr. FLEMING: Ingredients only.

Mr. CLEAVER: Ingredients only, all right. That is what I say. I say out of the figure of 5.1, which is obvious from these statements, the balance of the cost should be accounted for. I am trying to find out where it has occurred. That is why I asked as to what salaries they are paying their executive officers?

Mr. FLEMING: Where do you get the 5.1?

The VICE-CHAIRMAN: Your position is that you remarked that with reference to a large item in the costs there has been no increase, and you therefore want to see where an increase did occur. How about putting that question to the witness to see whether we might avoid—

Mr. CLEAVER: All right, I will put it again in another way. Perhaps my question was not too happily worded.

By Mr. Cleaver:

Q. Mr. MacDonald, referring to the exhibit filed this morning, the increased cost per loaf of all of the ingredients in the loaf of bread, including the wrapper, over the cost of 1939, and as of February 17, 1948, totalled 2.777 cents; is that right?—A. That is correct.

Q. During that period the retail price of bread has gone up 4 cents a loaf. Is that right?—A. Yes, sir.

Q. And during that same period you have told the committee that your profits have been entirely wiped out, and that you are now going in the red at the rate of 1·8 per cent on sales?—A. No.

The VICE-CHAIRMAN: Just to get that point clear, would this not be correct? He stated a certain period when the profit was a certain amount. He took up the next period and showed what the profit was. He took up the next and for a short period he showed it in the negative.

Mr. CLEAVER: I am referring to the period ending February 4, 1948.

Mr. HARKNESS: A four-week period.

Mr. CLEAVER: He said his position then was minus.

The VICE-CHAIRMAN: There was a short period.

Mr. IRVINE: Two periods.

The VICE-CHAIRMAN: Two periods when it was minus, but that is not quite the same as saying the profits were wiped out. It is just for a short period, do you see?

Mr. LESAGE: The increase to 14 cents accounted for only four days in that period, if I am right.

The VICE-CHAIRMAN: My only point, Mr. Cleaver, is that when you used certain figures you used them as of a certain rather lengthy period. When you came to discuss the profit being wiped out you were dealing with a very short period of time. I only wanted to point out that it was something like shifting terms in a discussion. That was all.

Mr. CLEAVER: Perhaps you might word the question. My question is this. In the light of all of these facts will you now disclose to the committee the amount of your gross sales and the amount paid to your executive officers for salaries?

The VICE-CHAIRMAN: That is the total amount.

Mr. HOMUTH: That is a double-barrelled question.

The VICE-CHAIRMAN: I do not think it is double barrelled. It is, will you disclose the total amount of two or three things? That is it, is it not?

Mr. LESAGE: And to tell us if there has been any increase in recent months.

Mr. MACINNIS: Before the witness answers that question I agree with Mr. Cleaver we should have this information, but why have information of this kind piecemeal? Why not have all the costs that enter into it, production, selling, administration, and all the others that are indicated here, and have each of them in their proper place? Then we will know exactly the amount of salaries paid to individuals. I insist this is not the proper way to get it, one after the other.

Mr. HOMUTH: May I draw Mr. Cleaver's attention to what the witness said which would change Mr. Cleaver's figures, that with the increase of 1 cent per loaf they estimated that for the last four weeks on which they have a definite statement that 1·8 loss changed to a profit of ·333 or ·5.

Mr. CLEAVER: Yes, Mr. Homuth, but you are a business man. You heard the witness agree with Mr. Fleming—and his figures drove him to the conclusion—that 1 cent a loaf would represent a profit of 2·25 per cent of sales.

Mr. FLEMING: Assuming the volume was constant and costs did not rise.

Mr. CLEAVER: You know and I know that answer could not possibly be correct from these figures. I think the committee is lax in its duty if we do not try to find out where this terrific extra cost, which he says they have sustained, has occurred, and the first large item that I think any business man would look at is your executive salaries.

Mr. HARKNESS: If I may say so, I think the point that Mr. Cleaver is overlooking is the point I brought out before, that his company did not get the extra cent. What they actually got was $\frac{1}{8}$ of a cent.

Mr. LESAGE: Oh, no.

Mr. HARKNESS: According to what he told us here.

The VICE-CHAIRMAN: Let us put it this way. Having heard this discussion can you make any statement that will clear up the difficulty?

The WITNESS: I can say that the management salaries have not increased as far as any one individual is concerned except that we have employed a general sales manager within the past five months. No other person's salary has changed.

Mr. FLEMING: And no other addition to staff?

The VICE-CHAIRMAN: One.

Mr. FLEMING: Except one.

The WITNESS: No, and I might add incidentally, in respect to the figures which I have already given you, on the operations of Toronto and Montreal in the February 4 period no administration salaries whatever are included.

Mr. CLEAVER: I understood you to tell us a moment ago it did not include directors' fees—they are, of course, not executive salaries—and it did not include taxes, and it did not include interest. Quite obviously those should not be included when you are in a minus position, but I distinctly understood from that it did include ordinary administration expenses.

The WITNESS: I am afraid you misunderstood me. The per cent figures which I gave you are after deducting all expenses of the company except what I call corporate expenses and interest and income taxes.

Mr. CLEAVER: Then, would you tell the committee where your tremendous increase in costs has occurred? It certainly has not all occurred in materials.

Mr. LESAGE: In other words, can you break down numbers 3, 4 and 5 on exhibit 29?

Mr. CLEAVER: That is not enough. That only refers to their recent increase.

The VICE-CHAIRMAN: Just a moment; take Mr. Cleaver's question.

The WITNESS: May I have it again?

By Mr. Cleaver:

Q. I asked you to give particulars of the large increases that have occurred in cost, other than material costs, of a loaf of bread?—A. I cannot give it offhand.

Q. Perhaps you would prepare a statement and give it to us. In the meantime it will give the witness time to decide whether he should voluntarily give his gross sales. I think after he has time to think it over he will be quite willing to do it.

Mr. FLEMING: Mr. Cleaver speaks about gross sales. Is he speaking about dollar figures?

Mr. CLEAVER: Yes.

Mr. FLEMING: Or the number of loaves of bread.

Mr. CLEAVER: Dollar sales.

Mr. FLEMING: I wish we could get the number of loaves of bread, if it is possible.

The WITNESS: May I point out on that question that just this morning we have engaged with another competitor in Montreal, and I am afraid that information might be of great value to him.

Mr. CLEAVER: I do not think your statements to us are intelligent without that.

Mr. HARKNESS: I think Mr. MacInnis' suggestion was a very sensible one, that what we should get here is a complete statement showing all these things on one or two sheets so we can see the whole picture without chopping about back and forth on the matter. If that could be done we would be in a much better position to ask questions intelligently.

The VICE-CHAIRMAN: Prior to my assuming the chair there appears to have been some sort of tentative decision against requiring that at the moment, at any rate. That was the way I interpreted it.

Mr. IRVINE: No.

Mr. HARKNESS: It was just passed over. There was nothing further said about it. He made the suggestion and nothing was done.

Mr. IRVINE: I think we may as well decide now that we have got to get the salaries of executives of all companies that appear here.

Mr. HARKNESS: I do not think we need individual salaries. If we have the total that should be sufficient. I do not think you care about getting individual salaries, do you, Mr. MacInnis?

Mr. MACINNIS: It may be necessary; it may be desirable.

The VICE-CHAIRMAN: Mr. MacDonald, there is not any desire on the part of anybody to hurt one person with respect to another competitor. On the other hand selected information is not much use to an examining committee.

The WITNESS: That is true.

The VICE-CHAIRMAN: Every person here would be very glad if he could rule certain evidence confidential, or that certain evidence need not be given. Everybody would be glad if he could make that ruling. I certainly would, but in the circumstances I do not see how that is possible. I feel that the committee should have full information, and I would have to rule that way.

Mr. IRVINE: Why not call his competitor and make him reveal exactly the same information, and give the benefit to this company, too?

The VICE-CHAIRMAN: That is a matter for further consideration if one likes, but we might be calling a large number of people just for that reason. I do not know whether it would be feasible to do that. Dealing with this particular question I cannot see, in the absence of some further argument, how we can rule otherwise than full disclosure.

Mr. MAYHEW: As I understood it the understanding was, when this came up first, that the witness was prepared to give to counsel and to our accountants the complete information. When that complete information is before our counsel and our auditors they would certainly have this information, and if in their opinion it had a serious bearing on the costs of this company I think it should be brought to our attention, but if it is not a serious item in cost I do not think we should ask for it to be tabled because it has a very detrimental effect on the company to publish its total volume and its executive salaries and its whole position. I do not think that is fair.

Mr. CLEAVER: I am quite content that we follow Mr. Mayhew's suggestion.

The VICE-CHAIRMAN: That is a way out. The members of the committee, of course, could pursue it. They could then see that it is put upon the record if that course of action is found to be desirable.

Mr. IRVINE: I do not want to follow any course which does not give to every member of this committee whatever information is given now.

The VICE-CHAIRMAN: Oh yes, that is what I was saying. Mr. Irvine; that it would be open to every member of the committee. The committee could then decide whether it wanted that information spread upon the record. In the matter of giving information to counsel and the accountant, it must be clearly understood that the information is available to every member of the committee.

Mr. MACINNIS: Mr. Chairman, with regard to executives' salaries, I do not see why there should be anything sacred about them. I know that when labour organizations seek to increase their wages, there is the utmost publicity in regard to every cent that they get, up to a quarter of a cent. Now, I do not see why, particularly in a case of this kind, in the case of a product which is so important to the community, the salaries paid to those who control the product should be something sacred to which the public cannot have access.

Mr. MAYHEW: My answer there would be that I do not think many of us know what the executive of a trade union is paid.

Mr. MACINNIS: The executive of a trade union is an altogether different thing.

Mr. MAYHEW: They are the managers of the trade union.

Mr. MACINNIS: But it has no bearing on the price of a product.

The VICE-CHAIRMAN: I do not think a comparison of the course followed in the one is apt in a case of this kind. The difficulty for the witness is that certain competitors learning certain things about their organization would be helped. It is in an endeavour to find a way of getting full information and, at the same time, not injuring the witness' business that we are studying this question. If we could find a way of doing that, we should do it. If we cannot, then full disclosure is the only course open.

Mr. WINTERS: At this stage, I would not think the full disclosure of individual salaries was necessary. I think we could get a pretty fair evaluation, both of individual companies and on a comparative basis, by taking the cost of a loaf of bread which I presume we could get, the labour and materials, and relating that to the operating overhead and administrative expenses.

First of all, we could get that for one company and we could compare the companies. Surely, most business people know, by some yardstick, what normal overhead operating expenses and administrative expenses should be, related to costs.

The VICE-CHAIRMAN: As to the matter of total executive salaries, I do not think there should be any objection to that. Could you give the total executive salaries now?

The WITNESS: I have before me a table which might help you. Before I do give the total administrative salaries, may I quote from this? Our accounting system provides that we charge each of our divisions one and a half per cent of sales for all head office expenses and, by head office expenses, I mean the cost of running that head office. They do not include to what I have already referred as corporate expenses, interest and income taxes. That figure, I said, is 1½ per cent of sales.

I may say, in this statement I have before me, management salaries at head office are approximately one-half of the total expenses of the head office. The charge which we make on the basis of that 1½ per cent is sometimes slightly higher and sometimes slightly lower than the actual head office expenses. Therefore, the management's salaries and, as a matter of fact, stenographic salaries which are included in that figure, amount to one-half, approximately of the total operating costs of the head office; that would be about three-quarters of one per cent.

By Mr. Fleming:

Q. Of total sales or of what?—A. Of sales.

By Mr. Lesage:

Q. Would that account for anything in the increase in item No. 5 or Exhibit 29?—A. No, I believe not, because we have always charged 1½ per cent of sales as head office charges to each division.

By Mr. Winters:

Q. Where would the increase in No. 5 come, that increase of .12 cents?—
A. There would be local office expenses, insurance costs and taxes.

By Mr. Lesage:

Q. What taxes?—A. Local taxes.

By Mr. Winters:

Q. Have they increased?—A. I believe so. I do not have the details.

By Mr. Cleaver:

Q. In the last four weeks?—A. No, but that item does not refer only to the four week period.

Q. Yes, administrative costs for the four week period.

The VICE-CHAIRMAN: I would ask your comments, gentlemen, upon this ruling: full disclosure of all of this sort of thing to counsel, such disclosure being available, of course, to every member of the committee. As to whether it will be spread upon the record, that may be brought up by any member of the committee and the committee can decide as to whether that will be done or will not be done.

Mr. HOMUTH: What do you mean by, "complete disclosure"?

The VICE-CHAIRMAN: I am discussing this suggestion we had before.

Mr. HOMUTH: You are not dealing with individual salaries?

The VICE-CHAIRMAN: Yes, if necessary, individual salaries.

Mr. HOMUTH: Now, Mr. Chairman—

The VICE-CHAIRMAN: Wait just a moment. What that would mean to the witness would be that he would be making full disclosure. It would not mean that would immediately be spread upon the record. On the other hand, he would have to give the information on the distinct understanding he has lost all control of it. There is no undertaking that it would not be spread upon the record. I believe he can see the attitude of the committee, himself.

Mr. HOMUTH: I object to this disclosure of individual salaries because you permit business competitors to get information as to the salaries the expert men behind the business receive. It gives that information to competitors who are in the market for the best men they can get at any time. I do not think it is fair to any individual company that you should request a disclosure of salaries.

The VICE-CHAIRMAN: You will recall that what I said there was, disclosure to counsel.

Mr. HOMUTH: I would not agree to disclosure to counsel as to that because, as you say, if it is disclosed to counsel it is available to the committee.

The VICE-CHAIRMAN: Yes, it is open to the committee.

Mr. HOMUTH: Here we have a group of businesses operating in competition, as they are. Their administrative expenses are a very important matter. As good businessmen, they are going to keep their administrative expenses as low as they can. I believe the information should be given by means of percentages. Our accountant could easily see whether the administrative expenses of one company are away below those of another company.

Mr. IRVINE: All of them may be too high.

Mr. WINTERS: I wonder whether we could get a breakdown from the witness, and the various other witnesses, on a dollar return basis. Could they take a dollar and break it down as to labour costs, material costs, proper administrative costs, distribution costs and the other main items of cost which enter into that one dollar?

Mr. FLEMING: Let us include taxes.

Mr. WINTERS: I do not know how far you want to go in this breakdown, but many businesses do that.

The VICE-CHAIRMAN: That might answer the question for some, but there has to be some determination on this question. Unfortunately, at some stage, I suppose the chair has to rule. I do not want to do so, particularly, but somebody has to bring the discussion to an end. I would be bound to rule as I have indicated already, unless this committee says it ought to be otherwise.

Mr. LESAGE: So far as I am concerned, I think we should put an end to this discussion. It has been continuing for some hours now. I believe the chairman's suggestion is a good one and should be followed. I move that it be followed.

Mr. FLEMING: Specifically, what is the suggestion, Mr. Chairman?

The VICE-CHAIRMAN: I suggested that my inclination was to rule the witness should make a full disclosure to counsel. It is understood that the information thus given is open to the members of the committee. As to whether it should be spread upon the record the committee itself, as always, could decide.

Mr. IRVINE: I second that motion, although I would rather go much farther.

Mr. MACINNIS: That is without prejudice to us at a later stage.

Mr. HOMUTH: If that includes individual salaries, I am opposed to it.

Mr. FLEMING: I did not hear all you said by way of explanation, but what is the purpose of disclosing it to counsel?

The VICE-CHAIRMAN: The question was as to whether we should demand a full disclosure here. Mr. Mayhew made a suggestion that it might be worked out somewhat along the lines I have mentioned and I am adopting that.

Mr. MACINNIS: It would not be only to counsel, but to the committee as well.

The VICE-CHAIRMAN: I made that clear.

Mr. FLEMING: There is no secrecy binding any member of the committee. Any member would be entitled to bring it out or to give it to anyone.

The VICE-CHAIRMAN: I realize that. In making the statement as I did, I was relying on the sense of responsibility I am sure every member of this committee has. As I look them over I would place none of them any higher or lower than the others, but all equal in a full sense of responsibility.

Mr. FLEMING: What is the responsibility of an individual member of the committee in that case?

Mr. IRVINE: To keep his mouth shut unless we find there is anything which ought to be aired.

The VICE-CHAIRMAN: I think the members of the committee would realize they should not do anything to injure the business of one who is coming before us to give evidence.

Mr. HOMUTH: Who is to decide whether he is going to injure it or not, the members of this committee?

The VICE-CHAIRMAN: Yes, you, in regard to yourself.

Mr. HOMUTH: The stand has been taken many, many times in the House of Commons when the Minister of National Revenue has been questioned as to salaries, that that is a matter which is not going to be disclosed. It is a matter which is between the minister and the taxpayer. Now then, if we take administrative costs and not individual salaries, we will arrive at what we want.

Mr. WINTERS: I think that is the stage at this time. I do not see any need for anything beyond that now.

The VICE-CHAIRMAN: Are you agreed, then, to having disclosure as I have suggested, including individual salaries?

Mr. MACINNIS: I wish to draw to the committee's attention that in the price spreads report of 1934-1935, individual salaries were brought out. This was so, particularly in regard to the Imperial Tobacco Company where the executives of the company were given increases in salaries when, as some member put it, the growers were sweating blood to keep out of the red.

Mr. WINTERS: If we had been led to that stage it would be a different matter, but I do not think we have been led to that stage in this committee.

Mr. LESAGE: If we had been led to that stage it would be a different matter. If counsel and the auditors find any increased expenses which seem to them to be abnormally high, then they would have to investigate that further to ascertain the cause of it. They might investigate further and find the president or the vice-president is drawing down a salary that is not in keeping with the importance of the business and it has a direct relation as to the cost of the item. Then I think we should know.

Mr. WINTERS: I agree with that but are we at that stage now?

Mr. DYDE: I am willing to take instructions from the committee very fully on this matter. I did point out there is some embarrassment certainly if counsel and the accountants have knowledge that they must not give to the members of the committee. I would prefer not to have any knowledge unless it were knowledge I could give to the committee.

The VICE-CHAIRMAN: Do not get away from that. In everything I said it was understood the information was for the committee and that was amply clear.

Mr. IRVINE: We do not want you to have it unless we can get it.

Mr. FLEMING: I think it is not the function of counsel and I think we have to regard the position of Mr. Dyde and Mr. Wilson in this light: It is not the function of counsel to act as a funnel for information. If the information is to come out it should come out here and should not be given sub rosa to Mr. Dyde and then passed out sub rosa by Mr. Dyde. I think, Mr. Chairman, the proper way to handle this at this stage is, as you suggested or somebody suggested a moment ago, to take the total administrative expenses and see how they bulk in the total and until we have some suggestion that there is something improper we should be content. I do not think we have reached that stage without further breakdown but it may come later.

Mr. MAYHEW: I do not think you will get to that stage. We will not find that situation.

Mr. LESAGE: If we went on with this discussion for five days we would not decide anything. Mr. Chairman, you have made a ruling?

The VICE-CHAIRMAN: I suggested; and what I wanted was your reaction.

Mr. IRVINE: There is a motion.

Mr. LESAGE: I put the motion and Mr. Irvine seconded it.

Mr. HOMUTH: I am opposed to the motion if it includes—

The VICE-CHAIRMAN: It is not a motion; I suggested I would make a ruling that way.

Mr. HOMUTH: It is a motion by Mr. Lesage confirming the ruling and seconded by Mr. Irvine.

The VICE-CHAIRMAN: I will rule—

Mr. CLEAVER: It is now five minutes to adjournment time and I suggest—

The VICE-CHAIRMAN: I will rule, as I have already stated, that the witness shall give full information to counsel and that information to counsel is open to the committee or any member of it. Whether the information will be spread upon the record is for the committee to decide in due course.

Mr. FLEMING: Mr. Chairman, I have to take issue with your ruling because I do not think it is proper for the witness to give information to counsel that is not directly available to the committee.

The VICE-CHAIRMAN: Well look, Mr. Fleming, it is getting to the point now where we have to proceed according to the rules. I have made that as a ruling and I think you should accept it or over-rule it, and at this stage it would hardly be debatable longer.

Mr. FLEMING: I will move, Mr. Chairman, with regard to trying to keep the procedure straight, and for the reasons I have indicated before, that I think the ruling ought to be appealed to the committee.

The VICE-CHAIRMAN: Quite proper. There is nothing personal in this.

Mr. FLEMING: No, no, nothing personal.

The VICE-CHAIRMAN: That is the point at which I have been trying to arrive. The ruling of the chair is questioned. Those in favour of the ruling of the chair—

Mr. WINTERS: Would you state the ruling again?

The VICE-CHAIRMAN: That there will be full disclosure by the witness to counsel, and that information disclosed will be available to any member of the committee, and the committee will decide in due course as to whether that or any part of that information will be spread upon the record.

Mr. MACINNIS: Would you change "any" member of the committee to "every" member of the committee?

The VICE-CHAIRMAN: "Any," or "all." Now that the ruling has been questioned, those in favour of the ruling of the chair will raise their hand? Opposed, if any?

The chair was sustained.

Mr. HOMUTH: Do I understand that your ruling included individual salaries?

The VICE-CHAIRMAN: I said full disclosure.

Mr. HOMUTH: Well I would move Mr. Chairman that this committee does not at this time wish individual salaries of executives disclosed.

Mr. LESAGE: Mr. Chairman, it would be dangerous to approve of such a motion at this stage because we never know what will come up.

Mr. HOMUTH: It is just as dangerous for it to come up—

The VICE-CHAIRMAN: I do not think your motion is in order.

Mr. HOMUTH: I did not think it would be.

The VICE-CHAIRMAN: It might be, coming from one of those who voted the other way.

Mr. CLEAVER: I move we adjourn.

The VICE-CHAIRMAN: Are there any other questions before 1 o'clock?

Mr. FLEMING: I would like to ask for an interpretation of what you said before regarding the responsibility of the members of the committee? What responsibility is there regarding disclosure?

The VICE-CHAIRMAN: I think there is a very simple axiom to keep in mind for you, Mr. Fleming, as well as all others: "let your conscience be your guide."

Mr. HOMUTH: Which conscience, your political conscience or—

The VICE-CHAIRMAN: I do not think there should be any difficulty with that.

Mr. HOMUTH: You are the same as all the rest of them.

Mr. CLEAVER: I agree with Mr. Fleming. I think that until the committee decides the information is to be on the record the information which we receive as individual members is received in confidence.

Mr. FLEMING: That just raises the point, Mr. Chairman. I do not think as a member of the committee I ought to be getting information by some route that is not available to be taken in public, when this committee was appointed for the professed purpose of getting information. If it is proper information for the committee to get it is proper information for the committee to get in public.

The VICE-CHAIRMAN: That is a completely different position from that taken earlier. This motion was because of the fact you did not want disclosure at the present moment. You could have it all spread right out now if that is what you desire, but that is a different position from the attitude taken earlier in this discussion and it was in an endeavour to meet your own disinclination to have all the information spread out at present that the ruling was made.

Mr. HOMUTH: It is being done by a secret and round about motion.

Mr. FLEMING: The motion is wrong.

Mr. IRVINE: If Mr. Fleming would make a motion along those lines I would be glad to second it, because that is what I want.

Mr. LESAGE: I have a question to ask the witness, would it be in order?

The VICE-CHAIRMAN: I think that would be in order.

By Mr. Lesage:

Q. I am referring to item 3, 4, and 5, on Exhibit 29. I put the question now so we will have the information for 4 o'clock. Is it possible to have a further breakdown of this statement, either in dollar values or in comparative values, for each loaf of bread?—A. You are referring to that schedule?

Q. Exhibit No. 29, yes. The items 3, 4, and 5.—A. Yes sir.

Q. Would it be possible?—A. I believe so.

Q. Would it be possible to give us the total value for your organization?—A. Of sales?

Q. No, the value of those items?—A. Those figures are based I think on our Montreal operation.

Q. Montreal operation?—A. Yes. We did not have comparable information for Toronto and we gave this in order to try to give as complete information as possible. We could break this down. They are now in cents per unit.

Q. Per unit?—A. Yes.

Q. You say administration, insurance, and tax increases and I would like to know, either in dollar value or comparative costs of a loaf of bread, what part is administration, what part is insurance, and what part is tax increase?—A. I believe we could give you that.

Q. No. 4 is selling and distribution cost increase. I would like to know what it is exactly. You know now what I want?—A. Yes, but I am not sure how much detail you want.

Q. As much as you can give and I will be satisfied.

The meeting adjourned at 1.00 o'clock to meet again this afternoon at 4.00 o'clock p.m.

AFTERNOON SESSION

The committee resumed at 4 o'clock p.m.

The CHAIRMAN: The committee will come to order. You have some material for Mr. Lesage I understand, Mr. MacDonald.

James Michael MacDonald, Secretary-Treasurer, General Bakeries Limited, recalled.

The WITNESS: Yes, sir. He refers to Exhibit 29, and Mr. Lesage asked for a breakdown of the increases shown on items 3, 4 and 5. Item 3 is production cost which I have broken down into two parts, if that will be satisfactory. Of the cost of .12, wages account for .04; and the other .08 is made up of such things as fuel, power and light, repairs, depreciation, telephone expense—I beg pardon, not telephone expense, that is another section—and other ordinary operating costs such as that; and on selling, distribution, the total cost shown is .52.

Mr. LESAGE: Oh, this item 4?

The WITNESS: Under item No. 4; of that direct wages make up .18; direct selling wages; indirect selling wages .08; and an account called shipping and carton expense, .09; horses and wagon expense, .10; trucks, .04; an account called distributing expense, which includes a number of items such as municipal licences, paper bags, baskets, and such things as that, — .01; advertising, minus .01.

Mr. HOMUTH: What is that—minus?

The WITNESS: Under advertising, per unit, there was a decrease of .01; depreciation and bad debts, .03; making a net total of .52. Under No. 5, administration insurance taxes, office salaries, .03—that comprises other administrative expenses such as travelling expenses, telephone, printing and audit and legal expenses—it comes out to an exact balance, no increase and no decrease; insurance, .04; taxes, .01; and head office charges, .04; making a total of .12.

By Mr. Lesage:

Q. Yes. I understand that the increase is covered by 3, 4 and 5, which I mentioned in Exhibit 29 are increases for the four-week period over the average for the first fiscal year; is that right?—A. That is right.

Q. Can you tell us what was the cost increase over the average of the first fiscal year for any given period of four weeks which would end in September, for instance, when you increased your prices?—A. It would take some time to get that, I think.

Mr. LESAGE: I am not asking you to give it to us just now, but perhaps later on.

Mr. HOMUTH: You mean you wanted to compare the increases?

Mr. LESAGE: Yes, with the increase of 3 cents, when the increase of 3 cents was taken in September—to have the difference between September and February. I do not want to delay the proceedings of the committee if you don't have that at hand.

The CHAIRMAN: You could perhaps get that later, Mr. Lesage.

Mr. LESAGE: Maybe his assistant there could look that up.

The CHAIRMAN: Have you any more questions?

By Mr. Lesage:

Q. Yes. You said this morning to Mr. Maybank that the component parts of the ingredients of a loaf of bread as indicated on Exhibit 29 would be fair for any loaf of bread of the 24-ounce size?—A. I think it would be.

Mr. HOMUTH: Mr. Chairman, I think we ought to be very careful in how we refer to these loaves of bread.

Mr. LESAGE: I will be very careful to ask for nothing confidential.

Mr. HOMUTH: I know, but this morning we were mixed up as between the pound and the loaf.

Mr. LESAGE: I am talking about the 24-ounce loaf.

Mr. HOMUTH: I think we ought to be very careful in designating "loaf."

Mr. LESAGE: I am speaking of the 24-ounce loaf. Can you give me those figures for September?

The WITNESS: No, not yet.

Mr. LESAGE: Is the quantity of flour which goes into a 24-ounce loaf about the same for every brand?

The CHAIRMAN: Could you answer that question?

The WITNESS: Not myself, no.

By Mr. Lesage:

Q. Not yourself?—A. No.

Q. Do you know if the quantity of flour which goes into Richmello is the same as the quantity of flour which goes into GB?—A. It is the same.

Q. Is there any great difference in the cost of production as between Richmello and the GB brand?—A. There is a difference.

Q. What would it be? I do not ask for the formula, just for the difference in cost.—A. It will be in the region of .85 to .90 cents per loaf.

Q. .85 per loaf?—A. Approximately that.

Q. And it is not the flour, of course?—A. It is in the handling or the properties of the different ingredients.

Q. But not counting the flour?

The CHAIRMAN: You have already said that.

The WITNESS: Yes.

By Mr. Lesage:

Q. Does that include overhead expenses?—A. Pardon?

Q. Does it include overhead expenses, distribution expenses, this .85?—A. No, sir.

Q. It does not?—A. Just the ingredients and wrapping.

Q. The ingredients and supplies?—A. The ingredients and the wrapping.

Q. .85 cents you say?—A. Approximately.

Q. How could you explain the difference in your selling price to Dominion Stores for instance in Exhibit 20. At February 3, you sold your Richmello to Dominion Stores at 9 cents and your GB brand at 10.93 cents.

Mr. DYDE: You are referring to Exhibit 22?

Mr. LESAGE: Exhibit 20.

Mr. DYDE: Is it 22 or 20?

The CHAIRMAN: What is that, Mr. Arsenault; what exhibit?

Mr. DYDE: This witness may not have seen Exhibit 20.

Mr. LESAGE: That is the Dominion Stores exhibit anyway. I found it here. It may be something else.

The CHAIRMAN: May we go on? We have a heavy agenda and I am afraid we are not pushing fast enough.

Mr. LESAGE: I meant Exhibit 20. There is quite a difference in your selling price and the increase is only .85.

The WITNESS: Yes. The difference in cost to which I referred is .85 to .90, and that is the difference in the cost in the ingredients and wrapping only.

By Mr. Lesage:

Q. Yes?—A. In other words, the loaf does cost less to produce.

Q. Yes?—A. However, we pay no commission to salesmen on the deliveries of Richmello, and the commission actually works out on the ordinary GB brand to about 1.06 per loaf.

Q. 1.06 cents?—A. Yes.

Q. And you give a commission to your salesmen who sell to Dominion Stores?—A. The point is that we do not pay a commission on those deliveries. They are bulk deliveries.

Q. But in the case of the GB brand you do?—A. Oh yes.

Q. For sales to Dominion Stores you pay a commission?—A. Yes, because they are delivered to each store, Richmello delivery is only to the Dominion Stores warehouse.

Q. The previous witness said it was delivered to the stores?—A. That is the GB.

Q. He said that of the Richmello, if my memory is right.

Mr. FLEMING: Are you not confusing the evidence of Mr. Meech with Mr. Squair? Mr. Meech, of Loblaw's, was handling Canada Bread. I think it was Mr. Meech who gave us that evidence, not Mr. Squair.

Mr. LESAGE: I may be wrong.

Mr. FLEMING: I do not think that question was asked of Mr. Squair.

By Mr. Lesage:

Q. You pay a commission of not more than one cent on each loaf?—A. On the GB brand delivered to any store.

Q. Including Dominion Stores?—A. Including Dominion Stores; and since our Richmello deliveries are as I said bulk delivery business we use only one truck for the purpose and that truck is used for other deliveries as well so that we have considerably less delivery expense as well as no commission to pay on that bread.

Q. Yes; so the cost to you, 10.93 over .90 is a difference of 1.93 on the delivery costs; plus the difference, the increase of .85 which will make 1.93—A. But there are other factors as well.

Q. Yes, what are they?—A. For example, we give no discounts on Richmello bread; the cartons in which we deliver the bread are usually returned, they are returned fairly well for re-use, so our carton cost is reduced. Also, there is a straight run of production on that bread loaf which lends to I would say perhaps more efficient operation of the plant; in other words, there is just the one loaf rather than several of different sizes as in the case of GB.

By Mr. Irvine:

Q. I would like to ask a question with respect to these figures, Mr. Chairman, in Exhibit 29. August, 1939, the per pound in cents is two cents and the quantity is 550, which is \$11.00. For February 17, the flour price in cents is 38.95.—A. That should be 3.895.

Q. Oh, that makes a difference.—A. Yes.

Mr. MAYBANK: Does that involve some correction of the mimeographed copy?

Mr. DYDE: It does. Exhibit 29 should be corrected. Under February 17 1948, the price per pound in cents instead of being 38.95 should be 3.895 (Correction made in Table.)

Mr. JOHNSTON: What about the next one then, 16?

Mr. DYDE: 16 is correct.

By Mr. Winters:

Q. Mr. Chairman, how does the witness arrive at the dough cost per loaf in these figures on Exhibit 29?—A. Well, you have the total of 16·271 divided by the yield, approximately 1·05.

Q. A yield of 1·05?—A. These computations actually were made by another person than myself. I checked them.

Q. How many loaves would this batch of ingredients make?—A. We could compute that. About 560.

Q. About 560?—A. About that.

Q. That is, a total of 16·271 divided by 560, with due allowances for your yield, should give 2·805, should it?—A. Yes, approximately. It works out approximately that way.

Q. Does it work out exactly, 560 divided into 16·271?—A. No, sir, not exactly. It works out nearer 2·9, 2·8.

Q. And the difference is wastage?—A. I do not know exactly what figure was used there in dividing. I said approximately 560.

The CHAIRMAN: Any other questions?

By Mr. MacInnis:

Q. It is so long since Mr. MacDonald first appeared here that some of the questions I put down to ask him may already have been answered. If he has already answered them he can say so and I will let my question go at that.

The CHAIRMAN: Fine.

By Mr. MacInnis:

Q. When Mr. Squair from Dominion Stores was the witness here he said that they purchased both from General Bakeries and from Christie's. On exhibit 20, which he tabled, showing the changes in price for both firms, Christie's and General Bakeries, it indicates that the changes in price took place at exactly the same time. Would the witness care to comment on that?—A. It was my understanding that we raised—you are speaking of the increase in price in January?

Q. Yes, whatever date it was.

Mr. LESAGE: The 27th of January.

Mr. MACINNIS: The 7th?

Mr. LESAGE: The 27th.

The WITNESS: It was my understanding we raised our price on Tuesday, the 27th, and Christie's raised their price on Monday, the 26th. I am quite certain we raised it one day later.

The CHAIRMAN: Yes, but that is not really an answer to the question, is it?

The WITNESS: Perhaps I misunderstood it then.

By Mr. MacInnis:

Q. My question would be was there any consultation between the two firms before the price was raised?—A. No, sir.

Q. Well, then, you raised your price, did you, because Christie's raised theirs? You raised yours on the 27th because Christie's raised theirs on the 26th?—A. We had decided some time before that that we would raise our price. We did not want to be the first to raise it because it would not put us in a very favourable position with either retailers or consumers, and as soon as they raised theirs we raised ours. As far as I know there was no consultation between the two companies.

Q. Would you know if there had been consultation between the two companies?—A. I think I would be in a position to know.

Q. Do Purity Flour Mills Limited own any shares in General Bakeries Limited?—A. No, sir.

Q. Does any other milling company or subsidiary of a milling company own any shares in General Bakeries?—A. Not that I know of. You say "milling company or subsidiary of a milling company"?

Q. Yes.—A. By that do you mean another baking company?

Q. Yes.—A. No.

By Mr. Lesage:

Q. Something like Glenora Securities?—A. No. I looked that up on Saturday when I went back.

Q. Does General Bakeries Limited own any shares in Purity Flour Mills Limited?—A. No, sir.

Q. Or in any other milling company?—A. No.

By Mr. Maybank:

Q. May I interject a question there? I am sure you would desire it. Do any officers or any large shareholders of any of the companies of the sort that have been mentioned own shares in your company?—A. Not to my knowledge, sir.

Q. No officers of any of those companies that Mr. MacInnis has been asking about?—A. I must condition my answer by saying I would not know everybody who would come under that description, but to the best of my knowledge, no.

Q. So far as you know there are none such?—A. So far as I know there are none.

By Mr. MacInnis:

Q. Does George Weston Limited own any shares or bonds or stock in General Bakeries?—A. No, sir.

Q. Does any other firm engaged in the baking business own any shares or hold any bonds in General Bakeries Limited?—A. Not to the best of my knowledge, but I should like to add with respect to my answers to all these questions that in our own office we do not keep a running record of changes in shareholders. We have that made up by our registrar agent, and the one I examined a few days ago was dated July 2, just prior to our first annual meeting.

By Mr. Lesage:

Q. Who supplies the flour to your company?—A. Purity Mills supply it for the bread, bread flour.

By Mr. Fleming:

Q. That is under that contract that was filed this morning?—A. Under that contract.

Q. It is a continuing contract which is in force and effect today.—A. Yes.

By Mr. Lesage:

Q. Is there a Purity Baking Company or something like that?—A. Pardon?

Q. Is there a baking company which has the name of Purity Baking Company?

The CHAIRMAN: Yes.

The WITNESS: There was.

By Mr. Lesage:

Q. In Montreal?—A. In Toronto.

Q. You bought it?—A. Yes, sir.

Q. From Purity Flour Mills?—A. Yes, sir; it was a subsidiary.

Q. Of Purity Flour Mills?—A. That is what I understand.

Q. You bought it from Purity Mills?—A. That is what I understand.

We bought the assets. We did not buy the shares.

Q. No, you bought the assets?—A. Yes.

By Mr. MacInnis:

Q. Does the Argus Corporation own any shares in General Bakeries?—

A. I believe it does.

By Mr. Irvine:

Q. I should like to ask Mr. MacDonald to tell the committee what the difference is between the loaf which sells for 10 cents and the loaf which retails for 13 cents in Ottawa and 14 cents in Montreal and Toronto?—A. We do not sell in the Ottawa market.

Q. Well, in Toronto; what is the difference between the 10-cent and the 14-cent loaf?—A. There is a difference in formula. I am afraid that is begging the question. There is a difference in both formula and service. For example, although we deliver to the retail stores the bread which we sell at 10½ cents we do not accept any returns on it. We do accept returns on the bread we sell at the higher price.

By Mr. Johnston:

Q. What do you mean by returns?—A. Unsold bread.

By Mr. Irvine:

Q. Is there any way we can find out exactly what the ingredients are in those two loaves without your revealing your bread formula?—A. Yes, certainly.

Q. How?—A. There is flour, yeast, salt, lard, malt, syrup, milk powder, sugar, yeast food. That is in one. There is flour, yeast, yeast food, salt, shortening, malt flour, milk, sugar, in the other.

Q. Would there be a difference in the amount of water between the two?

Mr. JOHNSTON: That comes out as steam, anyway.

The WITNESS: There is a difference in the amounts of the other ingredients.

Mr. DYDE: You will recall the committee asked for an analysis. That is being proceeded with.

Mr. IRVINE: That is fine. We will probably get that.

By Mr. Irvine:

Q. I should like to ask a question or two in connection with another angle of this inquiry. I should like to quote as a basis for my question, so that the committee may understand what I am about and so that they may know whether or not I am in order, one short paragraph from the evidence of Mr. McGregor, on page 161, the sixteenth paragraph:

Under a policy of resale price maintenance it becomes a question for the dealers, not what they can get in a competitive market, but what they can induce the manufacturer to guarantee them. And when the pressure on manufacturers is well organized it can become very effective, even to the point of inducing manufacturers to compete with each other for the good will of the dealers by offering better and better margins. Better and better margins usually mean, of course, higher and higher prices.

I should like to take the witness back to that famous meeting of which we have heard so much. I shall not dwell very long on it. I believe at that meeting you said yourself in your evidence that discounts were discussed, did you?—A. I do not recall that, sir.

Mr. JOHNSTON: Can you tell us the page that evidence was on?

Mr. IRVINE: I do not have the evidence here. I am not sure.

Mr. JOHNSTON: I do not recall that myself.

The CHAIRMAN: My recollection is this witness did not remember very much about that meeting.

Mr. IRVINE: That is true, but it possibly might have been the other gentleman—what was his name—who was called.

The CHAIRMAN: Mr. Kelleher.

Mr. IRVINE: I think I made a note that one of them said that discounts were discussed at the meeting.

Mr. LESAGE: That is Mr. Kelleher.

By Mr. Mayhew:

Q. Did you say you did not say anything at that meeting at all?—A. I did not enter the discussion.

By Mr. Irvine:

Q. It is not whether you entered it. I think you said that discounts were discussed. I do not say you said you discussed them.—A. No.

Q. But I think you said discounts were discussed.

Mr. JOHNSTON: What is the difference in that?

Mr. IRVINE: My point is, would that mean that the bakers were discussing what would be the discounts and inducements in regard to purchases from the bakers?

Mr. FLEMING: May I suggest for the sake of orderliness in our proceedings that we had better find out if this witness said anything on that first before any examination proceeds on that footing.

Mr. CLEAVER: If Mr. Kelleher said that and he was at the same meeting I would expect that the witness would hear it.

Mr. FLEMING: Then we had better call Mr. Kelleher.

Mr. MACINNIS: Since when have we been holding a witness to just what he said at a meeting?

Mr. JOHNSTON: I will come back to what Mr. Mayhew asked the other day. Can you go back and expect a man to remember after six months what took place at a meeting?

Mr. IRVINE: Let him decide that.

Mr. JOHNSTON: The witness was not allowed to decide it the other day.

The CHAIRMAN: I suggest, Mr. Johnston, this line of questioning is valid.

Mr. JOHNSTON: Then why was it not valid the other day?

Mr. MAYBANK: This is a different day.

Mr. JOHNSTON: It cannot be valid now and not valid then.

The CHAIRMAN: The witness can deny. If he cannot remember he cannot remember, but I think Mr. Irvine's question is proper.

Mr. IRVINE: If he can say absolutely he never heard anything about discounts—

The CHAIRMAN: Let us get the question and the answer with despatch.

By Mr. Irvine:

Q. I will repeat the question, maybe not in exactly the same language, but the question is did you hear any discussion whatsoever in respect to discounts at the meeting to which I have referred?—A. There was a discussion on subjects other than prices, but to say specifically that it was on discounts—I would not want to be definite on that. I should say there could likely be.

Mr. LESAGE: Mr. Irvine, I have just found the answer of the witness about discounts. It is on page 489.

Mr. IRVINE: He did mention it. I thought so. I think also, then, you would mean by that discount, that the bakers were discussing what would be a proper discount for inducement to the retailers?

The CHAIRMAN: I was wondering if we could not find exactly what the witness did say in relation to what he is now saying he did not say.

Mr. LESAGE: It is on page 489.

The WITNESS: I believe that the question of discounts, if it arose and it quite likely did—

The CHAIRMAN: You said it did.

The WITNESS: Yes, I did here, sir.

The CHAIRMAN: You cannot say something here today and something different tomorrow.

The WITNESS: I am trying to explain, sir, the whole discussion at that time did not have to do—the whole discussion on the general subjects in the industry did not have to do specifically with retail stores. It was mainly in connection with the restaurant business, as I recall it.

Mr. FLEMING: I do not know whether the witness has seen this statement, but I think it is only fair to let him read what he said. In that connection, I think it is only fair to go back to the previous question which refers to the name-calling.

Q. What gave rise to the name-calling?—A. I got the impression that—I do not believe it was on the matter of the price increase, I think it had to do with other subjects that were discussed.

Q. Such as what?—A. Discounts, offering restaurants various—

By Mr. Mayhew:

Q. Secret rebates?—A. No, not secret rebates, but perhaps inducements in the way of free bread for a day or so in order to get business, such things as that.

Mr. IRVINE: That is exactly the point I had in mind. I had a quotation here, something about inducements.

The CHAIRMAN: In answer to Mr. Irvine, you said discounts were not discussed.

The WITNESS: No, I did not say that.

Mr. IRVINE: He did not say that. He was very reluctant about it today, but very definite the other day.

Mr. JOHNSTON: Again I say it is hardly fair to this witness to ask him to go back and be definite about something that happened about six months ago.

By Mr. Irvine:

Q. I am now quoting what the witness did say, and I am asking a question about that statement. Again I ask, would the discussion which was taking place about discounts and inducements which implied the giving of free bread, would that be a discussion relative to discounts and inducements which were

being asked for or offered to the retail merchants?—A. No, sir, that would be restaurants.

Q. You said later, in the same evidence, that the retailers liked to have the price of bread stamped on the wrappers?—A. Yes.

Q. You did state that?—A. Yes.

Q. Why?—A. I believe, as I understand the retail trade, that it is a matter of convenience for the retailers to have their price appear on the merchandise which is offered for sale on their shelves.

Q. Do you have or do you know of any pressure from the retail trade for wider margins from the bakers?—A. I heard of one case of that.

Q. Which case was that?—A. That had to do with the decline in our price from 11 cents to 10½ cents on September 24th, but I must say what I have is hearsay.

Q. May I, Mr. Chairman, quote from another section of the evidence of Mr. McGregor, page 160, the latter part of paragraph 13. He says—

In many parts of Canada it has been customary for retail stores to handle bread on a margin of 1 cent or less. On a fast-moving and largely self-service form of purchase, one would expect a relatively low margin. Under a policy of resale price maintenance it is alleged that retail grocers are seeking, and in a number of localities are securing margins of 20 per cent on the retail price of bread established by large baking companies. The result is a margin in excess of 2 cents per loaf and in some instances approximately 3 cents per loaf. The higher margins result when the retailer is given a volume discount in addition to the trade margin.

Now, I believe that the General Bakeries bread is sold to the Dominion Stores?—A. Yes, sir.

Q. I believe it was shown in Exhibit 20 that the margin was 21·9 on February 3. Have you any knowledge that the retail trade or any member of the retail trade sought or pressed the bakers for that margin?—A. I think my answer would have to be the same as my answer to the previous question. It is hearsay but I understand that something of that nature occurred at the time we reduced our price from 11 cents to 10½ cents on September 24th.

Q. That is what I rather suspected because I noticed in the evidence of Mr. Squair, on page 430, the following:

Q. Your costs also went down that day by a matter of a quarter of a cent did they not?—A. Quite evidently our supplier had some sympathy for us in the matter.

Q. So, you did have some sympathy, did you?—A. No, sir.

Q. How did it go down?—A. Because, as I recall it, another company reduced its price by one-half cent.

Q. They had the sympathy, you mean?—A. —and we necessarily had to follow.

Q. You are followers rather than leaders in your particular branch?—A. In that case, yes.

Q. Do you feel you always have to follow?—A. In a case like that, yes.

Q. You always have to follow?

Mr. FLEMING: He did not say that. He said, "In a case like that".

By Mr. Irvine:

Q. That is what I meant. Did Dominion Stores ever press for higher margins?—A. I believe not, sir; not that I can recall.

By the Chairman:

Q. Is it not a fact that, as of today, there have been certain margins decided upon that is, as of March 1?—A. Certain margins decided upon?

Q. Yes, as compared with the last week?—A. Not that I know of, sir. As of today?

Q. As of today?—A. Not that I know of, sir.

The CHAIRMAN: Are you through questioning the witness, Mr. Irvine?

Mr. IRVINE: That is all.

The CHAIRMAN: Are there any other questions of this witness?

By Mr. Winters:

Q. I should like to ask, Mr. Chairman, when we speak of the 24-ounce loaf of bread does that mean 24 ounces of dough or 24 ounces of bread?—A. 24 ounces when baked.

Q. Immediately after baking?—A. Yes.

Q. How do you measure that?—A. By scales, there are scales beside the wrapper.

Q. Is each loaf weighed?—A. Not each one.

Q. What is the approximate water content of a loaf of bread at that stage?—A. I do not know.

Q. Does it vary?—A. The dough itself, before it is baked is scaled at about 27½ ounces. The resultant loaf is 24 ounces when baked.

By Mr. MacInnis:

Q. Do you know what the ratio of water, in pounds, is to the ratio of flour in a loaf or in a batch of bread?

By Mr. Irvine:

Q. Is it not 58 pounds of water to 98 pounds of flour?—A. That is approximately correct, I believe.

By the Chairman:

Q. What was the company of which you spoke a moment ago that was leading?—A. Christie's.

By Mr. Winters:

Q. Then, Mr. Chairman, on those figures on exhibit 29—this probably can be explained very easily—there are approximately 625 pounds of ingredients and the witness says that makes about 560 24-ounce loaves. In the light of what he has just said, I do not know how he arrives at that?—A. There is, of course, water added to the dough.

Q. Would there be that much?—A. The poundage was included only for those items for which there was a specific cost. We omitted, necessarily therefore, the poundage of water.

Mr. IRVINE: You should have included your water rates in your overhead.

By Mr. Beaudry:

Q. Have you the percentage of returns of unsold bread, GB brand against the total volume of delivery or sales?—A. No, I have not, sir.

Q. Have you any idea what it might approximate?—A. I am afraid not. It would be very minor.

Q. I asked that because you mentioned a while ago it was a factor in the cost.—A. It is.

Q. How negligible is it? It is a very negligible factor?—A. I suggest if you have several negligible factors altogether, they might become noticeable in the final costs.

Q. Could you get that figure?—A. I believe I can. I will try.

Q. Is that bread returned complete loss to the baker?—A. No, it is not. We have been selling all returned products, actually, for hog feed at, I believe, a price of 25 cents a barrel.

Mr. FLEMING: We get some of it in the bread puddings served in the parliamentary cafeteria.

The CHAIRMAN: Order. Are there any other questions?

Mr. CLEAVER: I should like to ask Mr. MacDonald if he has handed to our counsel the amount of the gross sales?

Mr. DYDE: I may say that since adjournment at one o'clock I asked Mr. MacDonald whether he could produce for me full information with regard to the company, mentioning some of the items which were mentioned this morning. Mr. MacDonald very readily gave me a list of the things which he could produce but I did not take them actually from him. They are in his hands. Some of them are not here in Ottawa because some of the information which has been requested is not available here, but he has some in Ottawa, up to a point. I have not, as yet, received them from him.

By Mr. Winters:

Q. Could I ask just one more question? Has the formula of either one of these breads, GB brand or Richmello brand changed since about the 1st of September?

—A. Yes, we made a change in the formula of GB bread about ten days ago.

Q. For what reason?—A. To improve it.

Q. What effect would that have on the cost?—A. As I said the other day, I believe practically none. I believe I recall saying you would have to go to three decimal points to get the answer.

Q. There was no attempt to change the cost by changing the formula?

—A. No, sir.

By The Chairman:

Q. Your bread is selling at 14 cents, the GB brand. From a strict nutritional standpoint, have you made tests as to whether or not it is a better bread than the ten cent loaf?—A. Not from a nutritional standpoint.

Q. It is not a better bread?—A. We have made no test.

By Mr. Lesage:

Q. I have only one more question; could you supply me with the figures for which I asked a moment ago?—A. That has not been figured out yet.

Q. In September?—A. The increase from September to January, I am sorry we have not worked it out for February, but in the production division it was .18.

Q. .18?—A. .18. Selling and deliveries, .69; administration I believe remains the same.

Q. That is from September to January?—A. To January yes, but not February.

Q. And then in February it decreased because we have the figure for the four weeks?—A. It may have.

Q. We have the four week period ending February 4 and the figures are which you gave 12 against 18, and 52 against 69?—A. In the January period there were either 3 or 5 holidays in the Montreal plant. Naturally many of the expenses continued to go on as applied to decreased volume, and naturally the expenses would be greater per unit because of those holidays. I think the January period would not be a fair one to take but unfortunately it is the only one available.

The CHAIRMAN: Are there any other questions? Unfortunately we have a great deal of work to do this week and unless there are questions which are essential—

Mr. MACINNIS: All our questions are essential.

The CHAIRMAN: I know, but all questions including mine should be essential at this point.

Some Hon. MEMBERS: Hear, hear.

The CHAIRMAN: Counsel has a plan which he wishes to follow and I know that you want to co-operate with him. If there are no other questions we will call the next witness.

Mr. HOMUTH: Just before you take the next witness I think perhaps this evening's paper shows how careful we have to be in making statements or asking for evidence. This evening's paper comes out with quite a headline:—

Retailer Cut Off if Bread Price Slashed says MP.

It goes on to say:

Hughes Cleaver (L-Halton), member of the Commons Price Committee, said today a bread retailer had charged his supply would be cut off if he did not maintain retail prices set by bakers.

His claim followed denials in committee evidence last week that bakers resorted to this practice to keep up the selling price of their products.

Mr. Cleaver said a retailer had told him over the week-end he had wanted to sell bread at 12 cents a loaf—two cents less than the baker's indicated selling price—and he had been told that if he did he would get no more supplies.

The committee member urged that witnesses be brought before the committee to give evidence on this alleged practice.

That is headlined in this evening's paper.

Mr. LESAGE: That is the paper's business.

Mr. HOMUTH: Pardon?

Mr. LESAGE: That is the paper's business.

Mr. HOMUTH: I realize we cannot suppress the press and tell them what to put in—

Mr. LESAGE: I hope we will not.

Mr. HOMUTH: Nevertheless the story is there and I think it gives a rather bad impression of the whole situation.

Mr. CLEAVER: Perhaps it is a bad situation.

Mr. HOMUTH: It may be a bad situation but this has got to be proven before the committee. It is not according to the evidence taken or given here that such a thing has been practised and I think possibly points like this ought to be cleared up when they occur so we can get to the truth. If there is some—me—and I do not doubt it because Mr. Cleaver has said so—I think evidence should have been brought out, and should have been brought out before these stories get across the country in newspapers, as to what truth there is in such matters and who the guilty baker is that has done such a thing.

Mr. IRVINE: Are you suggesting we should call them?

Mr. HOMUTH: Pardon?

Mr. IRVINE: Are you suggesting we should call them?

Mr. HOMUTH: I suggest we should have the statement proven before the committee, and the guilty baker known if there is some baker that has done his thing. I think we ought to know who it is.

Mr. FLEMING: It goes back one step and the point raised is for the future. Members of the committee cannot very well make these charges and should not make charges unless the evidence is here at the time. We could all make charges but after all what should come before the committee at this stage is evidence. If we have any case of that kind that we know of I think the practice laid down last week was that it should be reported to the steering committee so the persons having evidence could be called before the committee.

The CHAIRMAN: Agreed. I do not want to say anything on the point but counsel has a plan and I suggest the matter be allowed to rest at the moment.

Mr. HOMUTH: May I suggest this—

The CHAIRMAN: I am not disagreeing with you.

Mr. HOMUTH: With all due deference to all other members of the committee if we make a charge such as this I think before we make it it ought to go before the steering committee with substantial evidence. It can be substantiated right away or refuted right away and there will not be a lot of glaring headlines in the paper which may or may not be truthful.

The CHAIRMAN: I do not want to expound further but my recollection of what Mr. Cleaver said is that he was putting it in the form of an interrogation. I may be wrong on that.

Mr. HOMUTH: No, no.

The CHAIRMAN: In any event this is my point. I do not refer to this particular question only but there are others involved. Counsel's mind is very materially directed to these problems in connection with witnesses to be called before this committee. I do not think I need say anything more at the moment.

Mr. CLEAVER: I made the statement, Mr. Chairman, and I have nothing to take back. I think the statement is quite a proper one and if you check the record I think you will find that I asked that the sales managers and officials who would know as to this unfair practice be called before this committee. I do not like second hand evidence or a witness who comes and says the sales manager told me so and so. I want the sales manager, the actual witness, here. I gave as my reason something that happened over the week-end. It happened and that is what this committee wants to know.

The CHAIRMAN: Material of this kind will be placed before the steering committee very shortly. I have such material in my own possession. I do not know whether it is valid or not.

Mr. CLEAVER: We already have evidence of three retailers in Toronto who have one and the same complaint. They are small ones but we have the names and addresses. The witness admitted the salesman had made a statement and not the sales manager. I would like the sales manager here to find out who instructed the salesmen.

Mr. FLEMING: That statement just made indicates again the lack of responsibility about which I am complaining and the necessity for exercising care in statements made. There was no such statement made in evidence as Mr. Cleaver has given.

Mr. CLEAVER: If you will turn up the evidence—

Mr. FLEMING: Just a moment.

The CHAIRMAN: May I suggest, Mr. Fleming, that the point is quite clear and we understand. The point is what the evidence contains but this is not the time to go into that.

Mr. FLEMING: Why is Mr. Cleaver making such statements when the statements are not in evidence?

The CHAIRMAN: He says it is in evidence and you say it is not. This is not the proper time to decide that argument. There will be opportunity later.

Mr. FLEMING: Mr. Cleaver says this witness made a statement and I say he did not. Let the witness speak for himself and say whether the statement is true.

Mr. CLEAVER: Fortunately we have a stenographic report and I have asked for the evidence.

Mr. LESAGE: The witness informed us that the salesman in one instance made such a statement so that Mr. Cleaver did not show the lack of responsibility you have just said.

Mr. FLEMING: Just a moment.

The CHAIRMAN: May I ask that we come to the end of this discussion and call the next witness?

Roderick Percy Sparks, Executive Secretary, National Council of the Baking Industry, sworn:

By Mr. Dyde:

Q. Your full name?—A. Roderick Percy Sparks.

Q. Your address?—A. 140 Wellington St., Ottawa.

Q. Your occupation?—A. I am appearing here as executive secretary of the National Council of the Baking Industry.

Q. Have you prepared a brief or memorandum for the members of the committee?—A. It was not prepared for the committee but seems quite suitable to put before the committee. It was prepared at the request of the Canadian Association of Consumers. They had a meeting in Ottawa and amongst the stated objectives of this association was that they wanted to ascertain where they could find greater information with regard to costs and profits. I telephoned the secretary-treasurer, Mrs. Marshall, and I told her if they wished some information with regard to bread we would be glad to supply it. After some consultation with the secretary and an economist I prepared this brief.

Q. You wish to put it before the members of the committee?—A. Yes, sir.

Q. Have you additional copies that can be distributed?—A. Yes, sir. There are fifty copies.

Mr. JOHNSTON: Is this to be classed as an exhibit?

The CHAIRMAN: No, this is the witness's statement.

Mr. HOMUTH: Is it to be read in?

Mr. DYDE: I think it should be.

Mr. HOMUTH: In view of the fact there are many tables connected with it I just wonder if they should be appendices or something.

The CHAIRMAN: The tables can go in right immediately after the statement so it will be in chronological order but he need not read the tables of course.

By Mr. Dyde:

Q. Before reading the memorandum which you are putting before the committee, Mr. Sparks, would you please inform the committee as to the National Council of the Baking Industry—is it an association which has a number of members?—A. It is a national organization formed at the request of the Wartime Prices and Trade Board to act as liaison between the industry and the Wartime Prices and Trade Board.

Q. When was it formed?—A. In 1941 at the request of the Hon. Gordon Faggart who was then Food Controller. It consists of the Maritime Bakers' Association—there is one member from each of the three maritime provinces.

Q. You have made up a table of the membership of the association?—A. Yes, sir.

Q. Are you prepared to put that before the committee?—A. Oh, yes.

The CHAIRMAN: All right.

Mr. HARKNESS: We will soon need a filing cabinet apiece.

Mr. DYDE: Our custom has been to mark such documents as exhibits in order to keep track of them.

The CHAIRMAN: You mean the list of the executives?

Mr. DYDE: Yes.

The CHAIRMAN: That will be Exhibit 30.

EXHIBIT No. 30—National Council of the Baking Industry.

EXHIBIT 30

NATIONAL COUNCIL OF THE BAKING INDUSTRY

F. N. Myles	.....	Chairman
A. McGavin	.....	Vice-Chairman
R. P. Sparks	.....	Executive Secretary
E. R. Jarvis	.....	Hon. Secretary-Treasurer
Ben Moir	.....	Maritime Bakers' Association
A. Cross	.....	Maritime Bakers' Association
W. A. Stewart	.....	Maritime Bakers' Association
J. C. Singleton	.....	Montreal Bakers' Association
Lorenzo Lebel	.....	La Ligue Patronale des Boulangers Independants
G. Cardinal	.....	L'Association des Boulangers et Patisserie de la
		Province de Quebec
G. H. Wetherly	.....	Retail Cake & Pastry Bakers' Assn. of Montreal
		(Mr. W. A. Miles as substitute)
R. H. Ackert	.....	Ontario Bakers' Association
C. W. Cotter	.....	Ontario Bakers' Association
A. V. Loftus	.....	Ontario Bakers' Association
Bernie Zurbrigg	.....	Ontario Bakers' Association
Cecil Morrison	.....	Ontario Bakers' Association
Robert Gay	.....	Independent Master Bakers' Assn.
A. E. Longstaff	.....	Manitoba Bakers' Association
W. B. Cronk	.....	Saskatchewan Bakers' Association
J. L. Johnston	.....	Alberta Master Bakers' Association
F. A. Wilson	.....	British Columbia Bakers' Association
B. M. Colwell	.....	British Columbia Bakers' Association
Louis Richstone	.....	Jewish Bakers
H. W. Hunt	.....	Dominion Retail Store Bakers Association
T. F. Woodburn	.....	Allied Trades of the Baking Industry

EXECUTIVE COMMITTEE

J. C. Singleton	A. V. Loftus
F. N. Myles	G. Cardinal
C. W. Cotter	H. W. Hunt
Robert Gay	J. L. Johnston

F. A. Wilson

Mr. MAYHEW: Is the other document to be an exhibit?

The CHAIRMAN: No, it is to be his statement. We have already said we will put the last three tables in the record.

Perhaps the witness could start reading his statement?

The WITNESS: This statement is headed, "Memorandum re increase in the price of bread, submitted to The Canadian Association of Consumers by The National Council of the Baking Industry," and is dated Ottawa, November 25th 1947.

In order to have a clear understanding of the circumstances surrounding the recent increase in bread prices, which came about when the subsidy on flour was cancelled, it is necessary to review the facts leading up to this situation.

Bread prices had been frozen in 1940 before price ceilings generally had been applied in September, 1941. The prices of bread, which closely follow the price of wheat and flour, were very low at that time as the price of wheat had fallen to about 55 cents a bushel in 1939. At the time bread prices were frozen they were at the lowest point in some years. (See chart enclosed)

Throughout the war years the cost of producing bread and other baker products steadily increased. Although price ceilings applied to all ingredient

there were many cases where, for one reason or another, the ceiling price on ingredients and supplies was raised.

The same thing applied to labour costs. The following table shows the index number of wage rates of the baking industry as reported by the Department of Labour.

INDEX NUMBER OF WAGE RATES FOR THE BAKING INDUSTRY 1939-1946

1939	100
1940	102·9
1941	115·5
1942	123·9
1943	128·9
1944	134·3
1945	139·0
1946	156·6

Many skilled bakers either joined the Armed forces or were called up for service. In many cases they had to be replaced with inexperienced help. For this reason, more workers were required to turn out a given amount of products than had been the case previous to the War.

No new machinery or delivery equipment was available. The cost of repair and maintenance of old machinery, trucks and wagons increased greatly.

These increases in costs were offset in two ways. Wartime Prices and Trade Board issued a number of regulations in order to reduce cost of production, of which the following might be mentioned:

1. The return of stale bread from retailers was forbidden.
2. The number of varieties of bread which a baker could make was reduced to the minimum.
3. Slicing of bread was eliminated by order.
4. Regulations in regard to delivery were enforced.

In addition to official regulations the industry itself took every possible step to reduce production and distribution costs.

All of these had some effects in reducing bakers' costs to offset rising ingredient and labour costs but more important still was the fact that sales of bakery products greatly increased, thus distributing overhead selling and administrative costs over a larger number of units. The following is a table of sales showing total sales and showing separately sales of bread and other bakery products.

SALES OF BAKERY PRODUCTS (D.B.S.) SHOWING BREAD AND OTHER BAKERY PRODUCTS SEPARATELY

	All bakery products	Bread	Other bakery products
1939	\$ 76,040,651	\$51,665,516	\$24,375,139
1940	81,756,730	54,021,761	27,734,969
1941	92,116,307	58,321,072	33,795,235
1942	104,089,254	63,345,856	40,743,398
1943	120,445,625	68,899,213	51,546,412
1944	125,261,098	70,252,657	55,008,441
1945	132,518,212	73,769,296	58,748,916
1946 Preliminary	147,095,000	Not available	Not available

Had it not been for this increase in sales, bread prices would have had to be advanced much sooner than they were.

Apart altogether from the subsidy on flour, bakery costs had risen to a point by October, 1946, at which time many bakers were selling bread at cost or less. Strong representations were made to the Wartime Prices and Trade

Board asking for an increase in the ceiling price of bread. Higher ceilings had been allowed on many other food products but up to January 28, 1947, all bakery products were still at the original ceiling price imposed September, 1941. On that date the Wartime Prices and Trade Board allowed the price of all bakery products, *except bread*, to be increased by 10 per cent. This afforded some relief, as most bakers make cakes, pies and sweet goods, in addition to bread. This increase was soon more than offset by continued increase in the cost of ingredients and labour. The baking industry continued to press for a higher ceiling price on bread and on April 24, 1947, again submitted a request to the Wartime Prices and Trade Board urging that the ceiling price on bread be raised.

As evidence of what was happening in regard to ingredient costs, a detailed statistical analysis was presented to the board showing the increase in cost between 1941 and April, 1947. (Exhibit A). This is shown in two separate tables. The first shows the increase in ingredient costs from 1941 to 1945 (the latest official figures available at that time) as shown by the Dominion Bureau of Statistics in their report on the baking industry. The second table shows increases up to April, 1947, of a number of principal ingredients. These tables demonstrate that ingredients had increased on a weighted average of 56 per cent.

It will be readily understood from these figures and the index of wage rates that the baking industry could not continue without some relief in respect to prices.

We were informed by the Wartime Prices and Trade Board that the matter of the cancellation of subsidy on flour and the removal of price ceilings on all bakery products was under consideration but, as this was a matter for cabinet decision, the board were not able to promise action at any definite date. We were assured, however, that, if the cancellation of subsidies and the removal of price ceilings were not in effect by September 1st, the board would give consideration to allowing bread prices to be increased sufficiently to provide for rising costs.

Regardless of any change in the subsidy on flour, the above facts are absolutely necessary in order to understand the situation on September 14, 1947. On that date, subsidies were discontinued and bread and other bakery products were permitted to find their own levels. Bakers had carried on under extremely difficult conditions. Profits had reached the vanishing point and many bakers were showing losses in operation.

Up to this time millers had obtained their wheat for domestic milling at 77½ cents per bushel. The difference between this price and the current market levels was taken care of by a subsidy by the dominion government. After the cancellation of subsidies, the cost of wheat to millers was \$1.55 per bushel, plus 3½ cents freight allowance. This resulted in an increase in the price of flour generally of \$4.05 per barrel.

The following table shows the added cost of flour in a loaf of bread. This table shows the average number of loaves of bread that can be obtained from a barrel of flour and the average increase cost in cents per loaf.

Weight of loaf	No. of loaves per barrel	Price increase per barrel	Increased cost per loaf
16 oz.	270	\$4.05	1.5 cents
20 oz.	230	4.05	1.7 cents
24 oz.	186	4.05	2.2 cents

In your letter of November 1, you make special inquiry about the sale of a 24 oz. loaf in Toronto, which you state was sold at 10 cents before the cancellation of subsidies and is now selling in most cases at 13 cents.

From the above table you will observe that the increased cost of flour alone in a 24 oz. loaf is 2.2 cents per loaf, leaving only .8 cents per loaf to provide for all other higher costs.

Keeping in mind the facts set out in Exhibit A, which showed a weighted average increase in ingredient costs of 56%, and, also keeping in mind an average increase in wage costs, it will be fairly obvious that an increase of 3 cents on 24 oz. loaf was inadequate. The three cent advance in Ontario was not universal. There are some cases where it was less than three cents but, generally speaking, in Ontario and Quebec, where a 24 oz. loaf is the legal weight, the advance was three cents per loaf.

You inquire as to how much of this three cents was made up of added costs and how much of additional profits. Insofar as profits are concerned, the answer is none. It is expected that most bakers will be no better off in regard to profits than they were before the increase in price. Some will be worse off.

In discussing costs and profits, it is difficult to separate bread from other bakery products. Most bakers sell cakes, pies, and sweet goods in addition to bread. In allocating overhead, selling and administrative expenses, all bakers do not follow the same practice. A baker might show a small overall profit on his operations and at the same time be losing money on the sale of bread alone.

Profits in the baking industry have always been small. There is no source from which the average profit of bakers can be obtained. There are about 10,000 bakers in Canada, most of them small or medium sized operators, whose business is privately operated and no reports are available from their operations in regard to profits.

Larger companies, whose annual statements are public, do not generally report their volume of sales from which a percentage of profit could be obtained.

In order to learn something as to average profits, starting in 1943, this office made a survey of the operations of a number of large bakeries operating between Winnipeg and Montreal. This group of bakers did a combined business of more than \$30,000,000.

For the years 1943 and 1945, their profits on sales (before taxes) were as follows:

	Per cent
1943	4.5
1944	3.9
1945	3.2

The 1946 figures were not obtainable as strikes and changes in ownership substantially altered the situation but it will be seen that in 1945 the average profit before taxes was 3.2 per cent of sales. This would represent a profit of 10 cents on a 24 oz. loaf in 1943, which was a reasonably profitable year, of slightly less than one-third of a cent per loaf. Average profits had undoubtedly declined in 1946 and 1947 and it is questionable whether bread sales alone showed any average profit when price ceilings were lifted.

In a recent annual report of one of the largest and most successful bread companies in Canada, the president reported that for their fiscal year ending June 30, 1947, their average profit per loaf of bread was less than a quarter of a cent.

As to the ultimate effect on profits of the recent increase in the price of bread, it is still too early to express any opinion. The immediate effect of a higher price was to decrease consumption. If this continues most bakers will be definitely worse off than they were before the increase in price.

The baking industry is one of those in which volume of production is a very important consideration. As pointed out above, the only reason the bakers were able to carry on at the ceiling price imposed in 1941 was that sales steadily increased.

As shown above, sales of all bakery products nearly doubled between 1939-1946. This was largely accounted for in increased sales of bakery products other than bread. It is interesting to note the increase in the consumption of

bread per capita per annum, which is reported by the Dominion Bureau of Statistics, as follows:

CONSUMPTION OF BREAD PER CAPITA PER YEAR

	Pounds
1939	88.3
1940	88.9
1941	92.7
1942	99.0
1943	103.4
1944	104.3
1945	106.6
1946	Not available

The reason for this undoubtedly is that the prices of all other foods were rising, whereas the price of bread remained fixed.

Looking to the future it appears quite unlikely that bread prices can remain for long at present levels. Since the flour subsidies have been cancelled, other ingredients and wages have continued to rise. Yeast and other malt products the prices of which have remained constant throughout the war, have been increased one cent a pound. This will add about half a million dollars to bakers' costs. Shortening and lard, of which the industry uses more than fifty million pounds are likely to advance in cost very substantially in the near future. Since the price ceilings have been lifted there is scarcely a day passes that bakers do not receive notification of a rise in price in some of the nearly 100 different ingredients and supplies which they use. Wages continue to rise. In this regard many bakers had held off increasing wages prior to the cancellation of flour subsidies as they were quite unable to meet higher wage costs. In many markets labour is now demanding and obtaining higher wages.

It should be strongly emphasized that bakers are very reluctant to see the price of bread increase. They know that consumption will decline as the result of higher prices. The industry is one in which volume of production is an important element in determining costs. In any industry in which profit per unit are a mere fraction of the total selling price it is economically impossible for them to absorb sharply rising costs. No industry can continue to operate long if their costs exceed their selling prices. One does not need to be an economist to accept that fact. The industry is highly efficient and keenly competitive. Selling prices are fixed absolutely by competition. The conditions in the baking industry were well stated in a report made by Mr. F. A. MacGregor, Commissioner of the Combines Investigation Act, in 1931. In that year the price of wheat and flour fell sharply. It was alleged that bread prices did not decline at the same rate. An investigation was held under the Combines Investigation Act. A report of 58 pages was made as the result of this investigation. The Commissioner found that the allegations made were not justified and in the concluding paragraph of the report, he outlines conditions in the baking industry as follows:

It seems likely also that the development of the newer forms of price competition will continue to be effective in preventing undue advantage being taken of the public. That there is such price competition, evidenced by the substantial reductions in price which have occurred within recent months. Chain store competition, even though much of it has been below cost, supplemented by the competition of smaller low-cost bakeries all over the country, has made itself felt. The small capital required to operate small bakeries and the short time within which they can be brought into operation is a public safeguard of some importance. There is also the corrective influence of the existence of the smaller flour mill and the additional possibility of bread being baked at home in the event of bakers' prices going beyond what are considered reasonable limits. Modern living conditions, however, have lessened the importance of this as a competitive factor.

Apparently the situation has been taking care of itself, and can continue to take care of itself, so long as these factors, actual and potential, remain in existence. If they continue to be as effective as they have been (and there seems to be no reason to believe that they will not) the public as well as the industry will be the better off, having such problems solved without the necessity of governmental intervention.

All the conditions then existing still exist. There are more bakers today competing for the consumer's dollar than there were when this report was written. Production machinery has been greatly improved and efficiency has been increased so that today consumers are obtaining even better value than ever for their expenditures on bakery products.

TABLE A

TABLE SHOWING TOTAL INCREASE IN INGREDIENT COSTS 1941-1945.
CONSUMPTION IN 1945 TAKEN AS A BASIS.

Product	Unit of Measure	Quantity used 1945	Total Value 1945	Total Value at 1941 Prices	Total Increased Cost
Baking Powder.....	lb.	1,230,818	\$ 187,062	\$ 187,062	
Butter.....	"	1,115,352	388,103	359,143	28,960
Cake and Donut mix.....	"	7,407,238	1,111,086	985,163	125,923
Chocolate.....	"	376,418	84,209	83,235	974
Cocoa.....	"	576,520	100,233	89,360	10,873
Cocoanut shredded.....	"	277,511	59,975	40,794	19,181
Corn Starch.....	"	980,695	74,841	67,668	7,173
Cream.....	gal.	23,082	39,009	39,009	
Cream of Tartar.....	lb.	43,080	21,563	14,863	6,700
Eggs, in shell.....	doz.	4,452,437	1,439,860	1,144,275	295,585
Eggs, frozen.....	lb.	10,479,302	2,776,917	1,771,002	1,005,915
Egg substitutes.....	"	83,428	19,463	14,349	5,114
Fruits—dried.....	"	15,066,071	2,012,342	1,551,805	460,537
fresh.....	"	3,228,724	499,918	258,298	241,620
preserved.....	"	13,025,827	1,789,807	1,602,177	187,630
Gelatine.....	"	34,649	25,968	17,151	8,817
Glucose.....	"	3,739,123	410,470	265,478	144,992
Lard.....	"	19,661,197	2,891,611	1,946,459	945,152
Malt Flour.....	"	3,104,109	269,508	266,953	2,555
Malt extracts and syrups.....	"	11,289,550	1,122,883	1,072,507	50,376
Milk, condensed.....	"	1,550,317	140,825	103,771	37,054
Milk, fresh and skimmed.....	gal.	1,474,721	414,263	340,661	73,602
Milk, powdered.....	lb.	15,437,576	1,874,402	1,574,633	299,769
Molasses.....	"	1,948,185	117,564	103,253	14,311
Nuts—(walnuts, almonds, etc.)					
(a) shelled.....	"	639,475	280,996	217,421	63,575
(b) unshelled.....	"				
Potatoes.....	bag	7,131	14,851	9,085	5,766
Oils—(a) Corn.....	lb.				
(b) Cocoanut.....	"				
(c) Cottonseed.....	"				
(d) other cooking.....	"	1,162,057	197,212	145,257	51,955
(e) Soya bean.....	"				
(f) Olive oil.....	"				
Salt.....	"	18,082,095	214,014	213,369	645
Shortening.....	"	31,704,138	5,119,728	3,836,201	1,283,527
Sodium bicarbonate.....	"	380,477	26,680	20,926	5,754
Sugar.....	"	40,965,935	3,568,751	3,287,615	1,281,136
Spices.....	"	201,899	81,985	65,213	16,772
Syrups.....	gal.	113,570	108,133	87,979	20,154
Yeast—(a) ordinary.....	lb.	16,090,594	3,098,860	3,089,394	9,466
(b) high vitamin.....	"				
Yeast powders and other bread improvers.....	"	3,790,541	399,929	399,929	
Total.....			31,988,186	25,271,458	
All other ingredients.....			2,880,751	*2,380,638	
Total.....			34,788,977	27,652,096	

*Estimated
7321—4½

Cost of Ingredients used in 1945 at 1945 Prices.....	\$134,788,977
Cost of Ingredients used in 1945 at 1941 Prices.....	27,652,096
Increased cost at 1945 Prices.....	\$ 7,136,881

NOTE: The above figures are taken from reports of the Dominion Bureau of Statistics. 1941 prices as reported by the D.B.S. are accepted as a basis of cost when price ceilings were imposed. The basic period was September, 1941. As the exact costs on that date were not known, the average for the year 1941 was used.

The report of average cost of ingredients for 1945 has just been issued and these are, therefore, the exact figures and are the latest available.

Increased costs since January, 1946, are estimated in Table B attached.

TABLE B

TABLE SHOWING INCREASED COST OF INGREDIENTS BETWEEN
OCTOBER 1, 1946, AND APRIL 24, 1947.

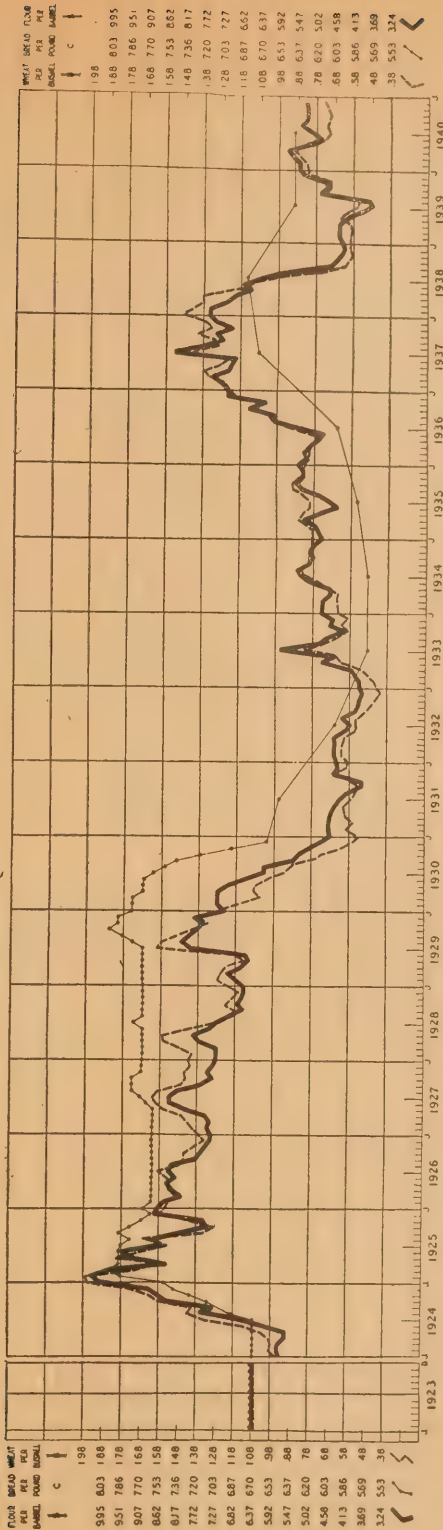
Commodity	Quantity or value	Increase	Total increase \$
Milk Powder.....	10,521,961 lbs.	2c	210,439
Milk—fluid.....	2,477,205 gals.	12c	297,264
Sugar.....	49,336,847 lbs.	1c	493,269
Shortening.....	30,949,445 lbs.	9-2c	2,847,348
Lard.....	21,157,993 lbs.	9c	1,904,219
Frozen eggs.....	10,692,349 lbs.	2½c	267,308
Jams and jellies.....	\$ 630,746	10%	63,074
Fruits—preserved.....	\$ 1,067,650	10%	106,765
Dried fruits.....	14,102,491 lbs.	3c	423,074
Malt Extracts.....	10,253,265 lbs.	10%	102,532
Vegetable Oils.....	1,048,589 lbs.	8½%	89,130
Packaging Materials.....	\$ 6,104,887	12½c	751,860
Other ingredients not including flour or yeast.....	\$ 7,815,472	10%	781,547
Total.....			8,337,928

NOTE: This Table of Increased Cost of Ingredients was prepared for the Annual Meeting of the Baking Industry, held at Ottawa on April 24th and 25th, 1947, and covered only the period between October 1, 1946, when decontrol commenced for this industry, and April 24th, 1947.

There may have been some increases in costs between January and October, 1946. They are not included in this table.

There has been some increased cost between April 24th, 1947, and July 1st, 1947, when this statement was prepared. The increases in either of these periods, which are not included in this Table or in Table A, were minor. Therefore, Tables A and B combined may not fully cover all increases in costs since 1941.

NATIONAL COUNCIL OF THE BAKING INDUSTRY
RELATION OF CANADIAN WHEAT, FLOUR AND BREAD PRICES, 1924-1940
AS COMPARED TO
THE RELATION OF THEIR AVERAGE FOR THE YEAR 1923



The price of bread up to the end of 1930, as indicated on this chart, is based upon monthly average retail prices, which were not available after 1930.

The price as shown on the chart after 1930 is based upon the yearly average prices received by bakers as reported by the Dominion Bureau of Statistics.

These prices are a combination of wholesale and retail prices. As approximately half of the bread sold in Canada is sold at wholesale, the average retail price would be slightly higher than shown in the chart during the later period. This difference in the method of calculating for the two periods does not change the value of the chart, in demonstrating that the prices of wheat, flour and bread follow a consistent price trend.

Mr. Chairman, attached to this is quite an extensive table, in fact, two tables. Table A as shown was prepared from the figures of the Dominion Bureau of Statistics. It is the actual weighted average of all of the products which the Dominion Bureau of Statistics lists. I think the only two at that time that had not risen were yeast and flour, both quite important but not too important. The others are also very important. It seemed to me in preparing this document which, by the way, was for presentation to the Wartime Prices and Trade Board, that we should divide the increases and show them as a percentage. There are some very interesting items here, some of them quite large. Take the item of eggs, for instance. There is a million dollars increase alone in the cost of eggs. Lard was a very big one and the total cost of shortening went up \$1,283,000. Sugar was another million and a quarter. However, these are gross figures. I think the interesting point about them is that they apply to every baker.

Mr. IRVINE: May I say the interesting part about them is they are entirely out of date. There is nothing recent about this.

The WITNESS: If you will just wait a minute, Mr. Irvine, I will bring them right up to date if I can. They were prepared for presentation to the Wartime Prices and Trade Board in April, 1947, which is pretty close to being up to date.

By Mr. Fleming:

Q. These are D.B.S. figures?—A. Every one of these first figures. Table B is not D.B.S.

Q. The D.B.S. figures that were submitted to us only went up to the end of 1945, exhibit 16.—A. We brought them a year later.

The CHAIRMAN: Is there not something in what Mr. Irvine says, that if they only go up to 1945 they do not really help us?

Mr. FLEMING: It is a debatable point.

Mr. IRVINE: We have started at the wrong end already.

The WITNESS: I am going to bring them up to April, 1947, if you will permit me to.

Mr. IRVINE: That is no good either.

The WITNESS: Table B is a table of increases known to us. We used the same quantities as used in table A which was the actual consumption. In order to be certain that they would be acceptable to the Wartime Prices and Trade Board as they were not official I submitted them to the Wartime Prices and Trade Board and told them I was going to embody them in a request for an increase in price. The Wartime Prices and Trade Board said they were satisfactory figures to them, so to all intents they are official figures. The hall mark of truth was put on them by the Wartime Prices and Trade Board.

The CHAIRMAN: Mr. Sparks, you should not misunderstand. There was no suggestion they were not valid figures. The point Mr. Irvine made was that they ended in April of 1947 in the case of the second table, and in 1945 in the case of the first table. That was the point.

The WITNESS: I will try to bring them up to this week later. I have some figures here if you would like them now on some items. I will bring them up to this week.

By Mr. Fleming:

Q. If you have a little more time can you bring them up to date for all the items?—A. No, I cannot do that—if I have a little time I could, yes I could.

Q. Can you do it between now and tomorrow morning?—A. Yes, I think I could.

Q. And give us a table bringing them right up to date?—A. Yes, I will do the best I can to bring them right up to date.

By the Chairman:

Q. Would it meet your purposes, Mr. Sparks, if we did not incorporate this table in the record at this stage, and wait until we have the completed table?—A. No, I think this is the one that had a bearing on the increase in rice, if I may say so.

Mr. MAYBANK: I would put it in the way it is with the addition to come tomorrow, Mr. Chairman.

The CHAIRMAN: All right.

The WITNESS: I would have liked, if time had permitted, to trace the presentations to the Wartime Prices and Trade Board starting from this date and bring it up right to the very end. There are interesting circumstances.

By the Chairman:

Q. What we are interested in doing is trying to find the causes of the recent rise in prices.—A. They are right there, an increase of 56 per cent in all ingredients since 1941, and an increase in labour costs of 40 per cent since 1941, and 56 per cent since 1939. In my judgment that in itself is the best evidence that can be presented. In his evidence Mr. Taylor said they were largely concerned with financial need, that they would not grant an increase unless you could show over-all financial need. Nobody has greater respect for Mr. Taylor than I have. Nobody appreciates more the evidence he gave here on Thursday, but in my judgment this is a better picture than the over-all financial need of a few corporations. As Mr. Taylor explained at the April meeting he had no satisfactory operating statements. He told you all he could be satisfied with would be audited statements. I think Mr. Donald Gordon himself was there and he said he would consider figures from us as to the trend of profits from the last fiscal period which he had. I got out 100 firms and sent them to 100 bakers asking that those figures be returned to Colonel Ruttan, because they are always reluctant to give me figures about profits, reluctant to give anybody figures about profits, including this committee, but Colonel Ruttan testified those did come in.

The CHAIRMAN: The difference is this committee will get them.

The WITNESS: I hope they will. I should like to see them get the operating figures of 100 representative bakers in Canada. If they do that is all the evidence necessary for this committee. I hope they do.

By Mr. Irvine:

Q. You do not know from your own knowledge what a loaf of bread costs?—A. Nobody knows that. I have been acting as an economic adviser for twelve years to the baking industry and I have repeatedly tried to find out what a loaf of bread costs, and I admit failure. I think I am a pretty fair statistician about that.

Q. If you do not know how much it costs then how do you know how much lost or gained in the production of it?—A. Any baker will, as Mr. MacDonald said for you, give you figures of their cost as they calculate it of a loaf of bread. It is nothing that I can get would show the average cost because the cost of bread is inextricably related to the cost of cake and sweet goods. You just cannot separate them. At least, I have been unable to separate them. I think if you are going to discuss over-all need, over-all profits, you are on safer ground taking the baking industry as a whole. However, you have brought out some very interesting information to me that I have never been able to get just as well, and perhaps this committee can find out the cost of a loaf of bread. It is a very difficult thing to do. I have seen a good deal of them confidentially. I have been shown a lot of pictures, bakers' statements, and for what it is worth, and I think it is worth a good deal, I estimate that in normal times it is about half a cent a loaf. I have said repeatedly at bakers' meetings that if your

net before taxes is less than 5 per cent on a 10-cent loaf you are in danger. I have evidence, which I think would satisfy this committee, that is a fair calculation. Again I am thinking, but it is a sort of educated guess, that there is no profit now in making bread, that there is a substantial loss in making bread, and further I do not need to say that you are going to find out and you will find that.

I would suggest to you, gentlemen, that you do not put too much weight on the figures of a few big corporations. There are 3,000 bakers in Canada, 2,990 of them. Most of them are small, and in my years of experience with them they rather object to judging their position on a few large corporations. I object to it, too.

By The Chairman:

Q. Mr. Sparks, could I ask a question there? You have pointed out that you have made a distinction between big and the small baker. What percentage of consumption of bread comes from the big baker?—A. Very large.

Q. Can you give the committee a rough idea?—A. I have something here that would give you an idea. The Bureau of Statistics' representation is not as complete as we would like it, but if I do say so myself it is more complete than when I came into this industry. I have asked them to add a lot of information I have it here. It is 1945, which is the last available. This is taking volume of sales. Under \$1,000 there are 28 establishments. They only did \$19,000. It is quite a lengthy table, but I think it is worth reading in view of your question. Those doing business from \$1,000 to \$4,999 did \$1,586,000; \$5,000 to \$9,999 \$5,531,000.

Mr. FLEMING: Could we have that table put on the record?

The WITNESS: I think it is very interesting. I think perhaps it should go on.

Mr. FLEMING: Can we have it identified and put right on the record? It is going to be difficult to follow if it is read.

The CHAIRMAN: We want to identify it.

The WITNESS: It is the Bureau of Statistics.

By Mr. Fleming:

Q. We have not had that particular one, have we?—A. I do not think so.

Mr. MAYBANK: If it is the Bureau of Statistics we can take a notation and the witness need not file that. We can easily get it.

Mr. FLEMING: We want it on the record, anyway.

Mr. MAYBANK: It has identification on it, and we will secure it from the Dominion Bureau of Statistics.

Mr. DYDE: It is the Dominion Bureau of Statistics census of industry general manufacturing statistics, report on the bread and other bakery product industry in Canada, 1945.

By Mr. Dyde:

Q. You are referring to the table which appears on page 8 of that report?—A. Yes, sir.

The CHAIRMAN: Perhaps it would be well if we looked it up ourselves. It is pretty hard when you are reading figures to get exactly what they mean.

By The Chairman:

Q. What I have in mind is this. Take, for instance, a city like Ottawa or a city like Toronto. Obviously you cannot give the percentage but would most consumers buy bread from the large companies in those large cities?—A. Well, just in answer to that I would say the bakers doing over \$100,000 did just half the business. \$64,000,000 against \$125,000,000, in this particular report. \$100,000

is just about \$2,000 a week; that takes away some small ones—some of them are not very big. The big bakers do most of the bread business.

By Mr. Homuth:

Q. Your \$2,000 a week baker would likely be one with a chain of two or three bakeries. Your small, village baker, of whom there are hundreds in western Ontario, who own their own plant—for instance, I am thinking of a baker in the village of New Hamburg and he would not do \$2,000 worth of business a week?—A. If he had a truck out, I think he would do it—\$2,000 a week. One truck could do it. The figures are there and you can draw your own conclusion.

By Mr. Maybank:

Q. I should like to ask a few questions arising out of this statement. I refer you to page 1 of the statement you read to us. You have stated there that the index number on wage rates for the baking industry, from 1939 and 1946, rose 56.6 per cent. That is your statement about wage rates, but what about the wage bill, wage costs? Are they the same?—A. Yes, I would think so.

Q. Why would you think they are the same? It is not necessarily so?—A. Their relationship to the total cost might change slightly as flour went up.

Q. If you increase the wage rate of a person and that person works fewer hours your wage bill will be less or, at any rate, it will not rise in proportion. Again, if you increase wage rates but introduce a very considerable amount of labour saving machinery and do not have so many employees, your wage bill will not increase to the same extent as your wage rate?—A. Right.

Q. Now, I wanted to know from you whether you state as a fact that the wage bill did rise 56.6 per cent just as the wage rates did, or could you make any statement on that at all?—A. I would say the wage cost now would not be, perhaps, any higher than at the first of that period to those bakers who have been able to get the most modern equipment.

Q. In the first place, when you have made a statement introducing the word "now" you have made a statement that is not in line with this table at any rate because it ends in 1946. All I am endeavouring to ascertain from you is whether the cost of labour rose by 56.6 per cent. In other words, whether there is an equation between the increase in rate and the increase in total cost? Perhaps you cannot answer that; I just want to know?—A. I am instructed that the wage costs are just about as high now as they were during this period.

Q. I do not object to that statement being made, but it is not responsive to the question I am asking. I am dealing with the period from 1939 to 1946 which is the period with which you have dealt?—A. Yes.

Q. I have no thought of any other period at all. I am only asking you whether the percentage increase in rate is the same or was the same over that period as to wage costs, wage bill, total labour cost?—A. I am not a good witness on that.

Q. That is quite satisfactory?—A. I would make a stab at it but I am not a good witness.

Q. If you do not recommend your evidence on that point, I will not pursue the question.—A. I could say a good deal about it.

Q. You appreciate that, to say wage rates have risen is not the same as saying the labour bill has risen?—A. I believe the labour bill has risen, but I could not prove it.

Q. I think everybody will agree with you there has been an increase in labour cost. Everybody would agree with that. I am trying to find out whether you can equate the two or not?—A. No, I cannot, but I will have it equated.

Q. We will take your statement on wage rates for what it is worth, 100 per cent, and withhold judgment as to whether that is also a statement that the wage bill or labour costs have risen to the same extent?—A. Yes.

Q. I wish to ask one other question at this moment arising from your statement on page 4. You make this statement.

The reason for this undoubtedly is that the prices of all other foods were rising whereas the price of bread remained fixed.

Now, dealing with the period which you set forth in your statement just above that sentence which I read to you—that is the period from 1939 to 1946—has the price of bread remained fixed for all that period set forth?—A. No, 1941.

Q. I beg your pardon?—A. The original fixed price was in 1940. Then it was cancelled and it was finally fixed again in August, 1941.

Q. Your statement, "Whereas the price of bread remained fixed", is not quite accurate. There was a fixed price but it was not always the same over the period you set down here for the attention of these consumers?—A. It was fixed from 1941 with the exceptions to which Mr. Taylor referred. I do not think they would effect 2 per cent of the bread in Canada. In the case of a baker who was selling below 5 cents a pound, he was allowed to rise to five. Later on, the board allowed bakers who complained and showed an over all loss to increase to 6 cents a pound but, in substance, the price of bread did remain fixed.

Q. You had a fixed price but it was not always the same, except after 1941; would that be a correct statement?—A. That is quite correct.

Q. My colleague says you used the expression, "pound" and he wishes to know whether you meant that or whether you wished to say per loaf?—A. No, I should like to say per pound because we have three weights in Canada.

Q. It is quite all right. It did not make any difference to my line of questioning which expression you used.

Let us deal now with the period 1941 to 1946. There was a fixed price, undoubtedly, then. You have made this remark, drawing attention to the fact that the consumption of bread increased from 1941 to 1946—really to 1945 because the statistics were not available to you for 1946—you say that that increase occurred because the price of bread was fixed and that all other prices were rising. What other articles were rising in price while bread increased in consumption from 92.7 to 99.; what were those prices that were rising?—A. I have given them to you, not broken down by dates, but I can do that very easily.

Q. Where have you given them?—A. In these tables.

Q. Those are the ingredient costs, are they not?—A. Yes, sir.

Q. That is not the thing to which your statement is referring. Your statement is that there was an increase in the consumption of bread because bread remained fixed in price and the other things which people eat did not remain fixed in price. Therefore, they turned to bread since it was relatively cheaper. I suggest to you what you are dealing with here is not the ingredients of bread, but other kind of food, the prices of other kinds of food. It is that to which you are referring, is it not?—A. This is a list of products—

Q. You are looking at a list which I have before me and which is not the basis of my question. I am dealing with your sentence on page 4 of the brief, following the little table which you have given showing the consumption of bread per capita per year. The sentence with which I am dealing is the one which follows that tabulation and it states that the consumption of bread increased because bread was at a fixed price and other foods were rising in price?—A. My recollection would be that milk would be an important one and meat would be an important one.

Q. What were the increases of which you were speaking to these housewives which took place in those years?—A. I am just starting to tell you my recollection—meat.

Q. Now, surely you are not setting forth an argument just on recollection, Mr. Sparks?—A. No, it is a subject on which I made a very exhaustive study.

Q. Then, would you not have some tables to support that statement? I am wondering whether that statement is supportable at all?—A. I have here a study which I undertook, going back eighteen years to find out the relationship between the average selling price of bread and the per capita consumption of bread.

Q. Now, Mr. Sparks, to go back eighteen years—A. Yes, to find out—

Q.—would be very interesting and helpful for some studies, but we would not want to go back eighteen years to deal with the correctness or incorrectness of this statement you made to these consumers. We would only wish to go over the years 1941, 1942, 1943, 1944 and 1945?—A. That is right.

Q. Your statement is that the prices of foods were rising, except bread?—A. That is right.

Q. Have you any statistics to show the extent to which these other food costs rose?—A. Yes, I have some index figures here, the retail price index of some principal food products as of May 1947.

Q. Excuse me, before you follow through with that sentence; I have not any objection to your remarking something about 1947, but I direct your attention to the fact my queries relate to 1941-1945?—A. Yes, that is true.

Q. If your 1947 figure has some relation to my question, it is quite all right to quote it.—A. I think, Mr. Maybank, I had better get the figures from the bureau. I know they are there.

Q. I think that would be useful if you would get support for this statement you have made, "Undoubtedly prices of all other foods were rising." I think it would be interesting to have you support that with a statistic.

Mr. IRVINE: If I might chip in with an observation or a question, would not the witness have to prove also that the increased income to many of the people of Canada gave them a chance to eat bread, whereas they could not eat it before?

Mr. MAYBANK: That might be, although he would not have to get that information to answer my question.

Mr. IRVINE: He would have to secure that information in order to confirm this word "undoubtedly" which is in the sentence.

Mr. MAYBANK: If I may use an expression which I used to Mr. Irvine a few days ago, I think he is telegraphing the next blow. I think he is announcing what is coming next.

In order to answer my question it would only be necessary to support the statements you have just made.

The WITNESS: I will get that.

Mr. MAYBANK: These are the only questions I have at the moment.

By Mr. Lesage:

Q. I would like to know also if the other commodities that you are going to mention and the volume of their consumption decreased or increased whilst the price was going up during the same period?—A. I just did not get that but I will get it off the record.

Q. You say here that the reason for this undoubtedly is that prices of all other foods were rising, which implies that the consumption of those commodities of which the prices were rising would be bought by consumers in lesser quantities. My information is that even though the price of milk went up, the consumption of milk increased steadily from 1939 to 1946?—A. That would effect it.

Mr. IRVINE: So did the national income.

The WITNESS: Mr. Irvine, if I may say so, has put his finger on the story and that is the national income. I also have a study on that going back twenty years.

By Mr. Maybank:

Q. That brings me back to my point. If Mr. Irvine has put his finger on it, and you say Mr. Irvine has, and that it is the increased national income, then the statement you made to the Association of Consumers was not correct and you did mis-state to that association if the statement is correct?—A. Both were influences.

Q. I should then perhaps vary it to say that you were at least somewhat more emphatic than you should have been in that statement?—A. Maybe.

Q. Because you took no account in this explanation to the consumers of the fact drawn to your attention by Mr. Irvine. You took no account of that at all in this statement. You assert that the reason is undoubtedly that other prices rose while bread remained still. Now it was with reference to that statement that my questions commenced?—A. I am going to give you facts to demonstrate that is a correct statement.

By the Chairman:

Q. Mr. Maybank's last question reveals the validity of what I am going to suggest, namely, that what we are interested in is the cause of the recent rise in prices of bread?—A. Yes.

Q. Now you, representing this national organization, can perhaps help us in that respect.—A. I would like to.

Q. Well, now having in mind that is our assignment I do not see the information you have placed before us has anything to do with it?—A. That may be your judgment, sir.

Q. I am suggesting that but I may be wrong. I am suggesting it to you, but it seems to me that you, representing a big national organization, may have information that may be of great help to us?—A. I would be glad to try. I have a lot of it.

Mr. CLEAVER: Before the committee rises I have the stenographic notes of the evidence that was taken this morning and I would like for a moment to refer to that. We were given evidence of the name and address of one retail merchant in Toronto and the addresses only of two other retail merchants in Toronto who were selling bread below the price indicated on the wrapper. And I would now like to read the questions which were by Mr. Dyde and they are from page C-3 of the record.

Q. Before I leave that, Mr. MacDonald, when the officers of General Bakeries learned that Mr. Lucatch was selling in this way, what action, if any, did the officers of General Bakeries take?—A. None.

Q. You are sure of that, are you?—A. Positive, sir.

Q. Did any person connected with General Bakeries take any action?—A. I believe not.

Q. Are you sure of that?—A. The answer is difficult because I cannot, personally, know what any one of our salesmen might have said to any one of his fifty or sixty customers.

Now, Mr. Chairman, if I understand the English language at all, that is perfect justification for me asking that the sales manager and those salesmen should give evidence before this committee.

Mr. HOMUTH: Now, Mr. Chairman—

Mr. FLEMING: Agreed.

Mr. HOMUTH: —we are agreed on that. Mr. Cleaver has brought this evidence in here to try and justify himself in view of the decision—

Mr. CLEAVER: I was referring to what Mr. Fleming said.

Mr. HOMUTH: —that members would make their statements first to the steering committee with the proof of the statement. This is just a tempest in a teapot and, if I may say so, it is a very small pot too.

Mr. FLEMING: I quite agree.

Mr. CLEAVER: There is a very smart heckle on my tongue in that regard but I will spare you it.

Mr. HOMUTH: I would not mind it; I have had lots of them.

The CHAIRMAN: Well now, there has been a very great degree of fellowship between all members of the committee and I would not want to see any alteration of that kind.

Mr. FLEMING: May I endeavour to contribute to that feeling by this observation. I quite agree with Mr. Cleaver's statement that what has been said is ample justification for calling the sales manager to get the information. I quite agree with that, but I do say the evidence as read does not bear out the statement that Mr. Cleaver made earlier as to the effect of the evidence.

Mr. MAYBANK: I think I should add that Mr. Homuth asked me specially to hold him back in case he went too far.

The CHAIRMAN: Peace has been restored now, so, Mr. Fleming, have you anything else?

Mr. FLEMING: Yes, I have some questions of Mr. Sparks.

Mr. HOMUTH: Just a moment, Mr. Sparks was going to get some further information for us so we could have it in the morning.

The WITNESS: I will try to have it.

The CHAIRMAN: I may be wrong, and I am in the hands of the committee, but I do think the organization that Mr. Sparks represents is an important body and the committee will recall how Mr. Sparks comes before it. He comes as a result of a suggestion I had made through the secretariat that it should furnish us with a comparative statement of the cost of bread and Mr. Fleming at that point, if I remember correctly, suggested calling Mr. Sparks to give us that necessary background material. Now the kind of background material we want is of fairly recent date and your statement has particular reference to a much earlier period. Now if there is anything you can assist us in respect to, for instance, the situation as of last September or of last January that would be very helpful. What we want to ascertain is whether the price of bread is too high and if it is can we get it down. Can you help us on that? Now I would say that if you can direct your attention to that you would give this committee a very helpful solution.

The WITNESS: I tell you what I can do, Mr. Chairman. I attended some of these meetings at which prices were discussed and on which there has been some reluctance on the part of one witness to tell you. They were held in my office. I can give you some information on why 3 cents, and why 4, if it is of any worth.

Mr. IRVINE: We will have to get that from the industry. I do not think we can get authentic evidence as to the price of bread from this witness, at least not in the way he has given it.

The WITNESS: I am most anxious to discuss something about combines in the baking industry. I have a lot of correspondence on it.

The CHAIRMAN: My own feeling is in view of the character of the organization which Mr. Sparks represents he should be given an opportunity to make a statement before this committee and consent to interrogation, but I do think, in view of our heavy agenda, we just cannot listen to everybody unless that kind of evidence is going to help us in our immediate purpose.

Mr. MACINNIS: We have asked Mr. Sparks to get some material for us. I wonder if we could leave him now at this point to get that and he may contact counsel when he has got it. Counsel can go over the material and if

it is different from the brief that he has sent to the committee we can call him again.

The WITNESS: I suggest that you go to the Bureau of Statistics because that is where I will get it.

The CHAIRMAN: We have some important witnesses who have been here for a week who have important information and information of interest and we want to get to the bottom of this. However, if it is simply a question of you vicariously giving what we can get ourselves from the Bureau of Statistics I do not think we should waste much more time.

The WITNESS: My position is a very simple one. There are 3,000 bakers in Canada. As I said in a letter to the secretary: In this board you have spent a lot of time on chain store operation which is quite proper in every way, and I would like to have the opportunity to say something on behalf of the industry about the competitive situation in chain stores and ordinary bakers. I would like to say something in the direction of combines. I have a lot of information and questions have been asked here. The answers I think I can supply and I think these 3,000 bakers have a measure of right to be heard.

The CHAIRMAN: I think they have got every right to be heard and if you represent them through you—

The WITNESS: I certainly do.

The CHAIRMAN: All I say is let it be done in such a way to help us in our immediate purpose and if you do that I am very anxious that you should do so as quickly as possible.

The WITNESS: I thought this statement was a good one to start with.

Mr. FLEMING: May I ask Mr. Sparks if he has this other information ready to present to us tomorrow?

The WITNESS: You mean this question of Mr. Maybank's?

The CHAIRMAN: In connection with the questions I am raising.

Mr. FLEMING: Broadly to what you are referring now, evidence as to prices and so on.

The WITNESS: Yes.

By Mr. Fleming:

Q. And alleged combines?—A. Yes.

Q. Is that information all ready to present to the committee tomorrow?
--A. Yes, certainly I will tomorrow, I am ready to go on.

The CHAIRMAN: With regard to the immediate situation?

The WITNESS: Yes.

The CHAIRMAN: The meeting is adjourned.

APPENDIX

Copy

Exhibit No. 28

This agreement made the 17th day of April, 1946 between General Bakeries Limited, a Company incorporated under the laws of the Province of Ontario, hereinafter called "General", Of The First Part; and Purity Flour Mills Limited, a Company incorporated under the laws of the Province of Ontario, hereinafter called "Purity", Of The Second Part.

Whereas Purity represents that it is the beneficial owner of all of the outstanding capital stock of Brosseau Limitée, Purity Bread Limited, Bryce Bakeries Limited and Robertson's Bakeries Limited;

And whereas General has purchased certain assets including the goodwill of the bakery businesses heretofore carried on in the City of Montreal by Brosseau Limitée, in the City of Toronto by Purity Bread Limited, in the Cities of Winnipeg and Brandon by Bryce Bakeries Limited and in the City of Vancouver by Robertson's Bakeries Limited;

Now therefore this agreement witnesseth that in consideration of the premises, other good and valuable consideration and the mutual covenants and agreements hereinafter contained, the parties hereto agree each with the other as follows:

1. General shall purchase from Purity and Purity shall sell to General all spring wheat flour which may be required for the operation of the said bakery businesses for a period of twenty years from the date hereof at the following plants or any plant substituted therefore in the same city or within fifteen miles of the boundaries thereof—

Brosseau Limitée, 5317 Drolet Street, Montreal.

Purity Bread Limited, 21 Carr Street, Toronto.

Bryce Bakeries Limited, 320 Burnell Street, Winnipeg, and 112 Eleventh Street, Brandon.

Robertson's Bakeries Limited, 3665 Kingsway, Vancouver.

2. All flour supplied under this agreement shall be of good quality and equal to the standard of like flour supplied by Purity to other bakeries of like character, and the price and terms of delivery and service shall each be at least as favourable to General as those granted or made available by Purity to other bakeries of like character. The quality, price, terms of delivery and service shall also be as favourable as granted by the Canadian Milling Industry generally to bakeries of like character in the same locality as those of General.

3. General shall not sell or dispose of any of the said plants for use as a bakery business without obtaining from the purchaser or purchasers thereof an agreement or agreements whereby such purchaser or purchasers will agree with Purity to purchase from Purity all spring wheat flour which may be required for the operation of the plant or plants so purchased or acquired for the unexpired balance of the said term of twenty years on terms similar to the terms provided in this agreement and Purity on any such sale and disposal of any of the said plants for use as aforesaid will agree with the purchaser to sell to the purchaser all spring wheat flour which may be required for the operation of such plant for the unexpired balance of the said term of twenty years on terms similar to the terms provided in this agreement. On the delivery of any such agreement as aforesaid General shall thenceforth stand released in respect of any liability to make any further purchases from Purity for the requirements of the plant covered by such agreement.

4. If Purity shall at any time fail to supply the requirements of spring wheat flour to the said plants or any of them or fail to maintain the requirements as to quality, prices and terms of delivery and service as aforesaid General shall be entitled to enter into contracts or commitments with others for the requirements of the plant or plants concerned for any reasonable period.

5. Purity hereby covenants and agrees with General that for a period of twenty years from the date hereof it will not either directly or indirectly either by itself or in partnership or in conjunction with any person or persons, firm, association, syndicate, company or corporation (whether a subsidiary or otherwise) as principal, agent, shareholder or, in any manner whatsoever carry on or be engaged in or be financially interested in, loan money to, guarantee the debts or obligations of any person, firm, association syndicate, company or corporation engaged or interested in the manufacture or sale of bread, cakes, sweet goods or other bakery products in the Cities of Montreal, Toronto, Winnipeg, Brandon and Vancouver or within fifteen miles from the boundaries of the said Cities respectively and that it will not use or authorize the use and that it will make all reasonable efforts (General to co-operate in such efforts) to prevent the use of the word "Purity" in connection with the manufacture or sale of the said products or any of them in the said Cities or any of them or within fifteen miles of the boundaries of the said Cities, or any of them respectively but nothing herein contained shall in any way restrict the right of Purity to make any dealings or arrangements with any person or company engaged in the manufacture or sale of bread, cakes, sweet goods or other bakery products for the supply to such person or company by Purity in the ordinary course of its business as miller and distributor of flour and other products of the mill or salt and as incidental thereto to take security in any form for payment and to enforce the same. Provided that nothing herein contained shall limit or restrict the right of General to use the word "Purity" in connection with its business and the operation of the said plants and the sale of their products for a period of one year from the date of the acquisition of the said plants by General (provided that in the case of the business now carried on by Robertson's Bakeries Limited the said term shall be two years). Purity during the said period of one year (and in the case of the business carried on by Robertson's Bakeries Limited during the period of two years) will not raise any objection or permit any company controlled by it to raise any objection to such use of the word "Purity" by General and in particular the use by General for such purposes of any supplies on hand such as wrappers, labels and containers bearing such name.

In witness whereof the parties hereto have duly executed this agreement the day and year first above written.

GENERAL BAKERIES LIMITED

J. W. Horsey
F. A. Dwyer

PURITY FLOUR MILLS LIMITED

D. I. Walker
President

A. H. Denoon
Secretary

GOV 200
Jan
20th
1948
(SESSION 1947-48

CAN 82 2
-48/143
HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

TUESDAY, MARCH 2, 1948

WITNESSES:

- Mr. R. P. Sparks, Executive-Secretary, National Council of the Baking Industry, Ottawa.
- Mr. George W. Bird, Purchasing Agent, Great Atlantic & Pacific Tea Co., Ltd., Toronto.
- Mr. Paul Burdon, Cost Examiner, Great Atlantic & Pacific Tea Co., Ltd., Boston, Mass., U.S.A.



OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

TUESDAY, March 2, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Cleaver, Fleming, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Counsel filed,—

Exhibit No. 31—Copy of memorandum by Loblaw Groceries Co. Ltd., including statements on (a) Over-all mark-up on certain fast selling commodities; (b) Relative per cent bread sales—Dollar volume; (c) Over-all bread mark-ups; (d) Over-all mark-ups for groceries, meats, fruits and vegetables.

Mr. R. P. Sparks, Executive Secretary, National Council of the Baking Industry, was recalled and further examined. He filed,—

Exhibit No. 32—Statement showing Bakery wages per barrel of flour used in production of bread—Canada Bread Co. Ltd., Ottawa.

Witness retired.

Mr. George W. Bird, Purchasing Agent, Great Atlantic & Pacific Tea Co. Ltd., Toronto, was called, sworn and examined.

Witness stood aside.

Mr. Paul Burdon, Cost Examiner, Great Atlantic & Pacific Tea Co. Ltd., Boston, Mass., U.S.A., was called, sworn and examined. He filed,—

Exhibit No. 33—Statement showing selling price and cost of 24 ounce loaf (wrapped, unsliced)—A. & P. Stores, Toronto and Montreal.

At 1.00 p.m. witness retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., Mr. Maybank, Vice-chairman, presiding.

Members present: Messrs. Beaudry, Cleaver, Fleming, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, Merritt, Pinard, Winters.

Mr. Dyde, Counsel, in attendance.

Mr. Burdon's examination continued.

At 4.20 p.m., Hon. Mr. Martin took the Chair.

Witness retired and Mr. Bird was recalled and further examined.

At 6.00 p.m., witness retired and the Committee adjourned until Wednesday, March 3, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MARCH 2, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will come to order.

Mr. DYDE: Mr. Chairman, I have a return here from Mr. Meech of Loblaw Groceterias. He was asked to answer questions, and I will refer only to the page numbers now; the questions were asked on pages 356, 362 and 369. He has now sent us answers to those questions and I would like to file that as Exhibit 31.

EXHIBIT No. 31: Answers to questions by Mr. Meech, Loblaw's.

EXHIBIT 31

J. Milton Cork,
President.

Justin M. Cork,
Vice-President & General Manager.

C. B. Shields,
Vice-President.

R. G. Meech, K.C.,
*Vice-President &
Secretary-Treasurer.*

LOBLAW GROCETERIAS CO. LIMITED
Head Office & Warehouse
Fleet & Bathurst Sts.
TORONTO, 2B,
Canada.

February 27, 1948.

H. A. Dyde, Esq., K.C.,
Counsel to the Special Committee on Prices,
Ottawa, Ontario.

Dear Mr. Dyde:

Pursuant to my undertaking given to the members of the Special Committee on Prices, I am enclosing herewith a memorandum setting forth the information requested.

The memorandum shows the over-all mark-up on certain fast-selling commodities. As pointed out to you, it is very difficult to obtain a true average percentage of mark-up on any commodity for the reason that we carry many lines of the same commodity. These lines all vary as to brands, sizes, qualities and varieties, and they move in different sales volumes and have different costs and selling prices. For instance, in canned vegetables we carry more than

27 brands and sizes of beans,
9 brands and sizes of beets,
24 brands and sizes of corn,
47 brands and sizes of peas,
15 brands and sizes of tomatoes.

We carry approximately 63 soup lines, 44 tea lines, 33 coffee lines, 50 packaged cheese lines, 76 packaged cereal lines, 31 marmalades. I mention these figures merely to indicate that in the memorandum enclosed the over-all mark-up figures set forth are approximate only and are to be used as a guide rather than as an exact average mark-up for the dates specified.

We shall be pleased to furnish you with any additional information you may require.

Yours truly,

LOBLAW GROCETERIAS CO. LIMITED

(Sgd) R. G. MEECH.

RGM/EEK

Encl.

OVERALL MARKUP ON CERTAIN FAST SELLING COMMODITIES

	Sept. 1/47	Sept. 18/47	Sept. 24/47	Nov. 1/47	Jan. 1/48	Jan. 27/48
	per cent	per cent	per cent	per cent	per cent	per cent
Fresh vegetables	25.69	29.45	25.70	25.72	27.62	25.55
Fresh fruit	29.69	33.45	31.70	29.72	31.62	29.55
Canned fruit ...	16	16	16	16	16	16
Canned vegetables	17	17	17	17	17	17
Tea	16	16	16	16	16	16
Coffee	15.6	15.6	15.6	15.6	15.3	15.3
Jam	11	11	11	11	11	11
Cereals	12	12	12	12	12	12
Soups	9	9	9	9	9	9
Baby foods	18	18	18	18	18	18
Soaps	12	12	12	12	12	12
Household cleansers	18	18	18	18	18	18
Butter	4.4	4.9	4.1	3.1	5.1	3.5
Eggs	9.3	9.1	9.8	9.0	11.7	8.0
Fresh milk	9	9	9	9	5.5	5.5
Shelled nuts ...	23	23	23	23	23	23
Nuts in shell ..	20	20	20	20	20	20
Puddings	22	22	22	22	22	22
Peanut butter ..	14.93	14.93	14.93	14.93	14.93	14.93
Biscuits	22	22	22	22	22	22

RELATIVE PER CENT BREAD SALES—DOLLAR VOLUME

	Cottage	Canada Bread	Miscellaneous
	per cent	per cent	per cent
September 1, 1947	36.2	37	26.8
September 18, 1947	35.2	40	24.8
September 24, 1947	46.9	32.8	20.3
November 1, 1947	52.1	28	19.9
January 1, 1948	53.9	31	15.1
January 27, 1948	55.5	30	14.5

OVERALL BREAD MARKUPS

	per cent
September 1, 1947	23.5
September 18, 1947	22.8
September 24, 1947	20.0
November 1, 1947	22.4
January 1, 1948	17.9
January 27, 1948	16.9

OVERALL MARKUPS FOR GROCERIES, MEATS, FRUITS AND VEGETABLES

	per cent
Fiscal year ending May 31, 1947	17.75
September, 1947	16.7
October, 1947	16.2
November, 1947	17.0
December, 1947	15.3
January, 1948	15.3

Roderick Percy Sparks, Executive Secretary, National Council of the Baking Industry, recalled:

By Mr. Dyde:

Q. Mr. Sparks, I understand that you are prepared to give the committee some assistance with particular respect to the questions asked of you by Mr. Maybank; is that correct?—A. Yes.

Q. Have you the material now?—A. Yes.

By Mr. Irvine:

Q. Mr. Chairman, might I ask one or two questions in respect to the figures given yesterday before you start on this? In looking over the statement you filed, Mr. Sparks, it appears that the figures used in stating the quantity and value of the ingredients used by the industry in 1945 were taken from Table 9, page 14, D.B.S. report of the baking industry. Is that correct?—A. Yes. I do not recollect that page number but if it is on there I assume it is correct.

Q. If you will look at that page, if you have it there, you will find that the quantity of cake and doughnut mix is given on that page as 7,407,238; and you have that figure correct. Then when you come to the total value of that commodity you give it as \$1,111,086.00, whereas in the D.B.S. figures it is \$851,192.00. How do you explain that? Because that would give you instead of an increase of \$125,923.00, it would give you a decrease of \$133,971.00.—A. That may be typographical. I will tell you in a moment.

Mr. DYDE: Can you help the witness by telling him to what you are referring?

Mr. IRVINE: I am referring to the Department of Trade and Commerce, Dominion Bureau of Statistics report on bread and other bakery products, Canada 1945; and page 14 of Mr. Spark's statement, the third item down on the page.

The WITNESS: The quantity is 7,407,000 and the value is \$851,192.00.

By Mr. Irvine:

Q. And in your table you show the value as \$1,111,086.00.—A. Yes, I think you are right. There was some error there.

Q. And there is a number right down the line in cocoanuts—shredded; the quantity is given as 277,511 and the value is shown as \$59,975.00; and the value with the D.B.S. report is \$55,975.00, which would make the increase less.—A. Yes, it was a typographical error. The copy is \$59,000.00 and it should be \$55,000.00.

Q. Then in cream, 230,820 is the quantity and \$39,009.00 is the value instead of \$38,691.00, which would give you another decrease.—A. I think I have the answer to that, Mr. Irvine. I think these came off the preliminary figures and these came off the final figures. Now, I have had preliminaries for three years. They always get out one on preliminary and then they follow up with final and there is always a lot of discrepancy.

Mr. MACINNIS: Did your figures come from the preliminary?

The WITNESS: I think that might be the explanation.

Mr. IRVINE: I think there may be even more serious errors if we have time to follow that. I would ask Mr. Sparks to look over the whole table and to correct it so we could have it in the record.

The CHAIRMAN: Very well.

Mr. FLEMING: May I ask a few questions, Mr. Chairman?

The CHAIRMAN: He is supposed to be answering Mr. Maybank's question. Have you finished Mr. Maybank's question, Mr. Sparks?

The WITNESS: Yes. My answer was to Mr. Maybank's question in regard to my statement that the reason for this increase in the volume of bread consumed was undoubtedly price. The price of all foods was rising whereas the price of bread remained fixed. The answer will be found four times in the present record.

Mr. MAYBANK: Pardon?

The WITNESS: The answer will be found four times in this record. I think the most interesting and complete answer will be found on page 26, Table 6A.

Mr. FLEMING: Is that page 26 of the appendix?

The WITNESS: Yes, page 26 of the appendix. Now, in order that Mr. Maybank might see it easily I have picked out the figures, but any member of the committee can follow it.

EXTRACT FROM TABLE 6 (a) PAGE 26

	December 1945	December 1947
1. Vegetable Products	97.0	130.7
Fruits	125.5	124.9
Fresh	139.2	125.6
Dried	93.7	134.4
Canned	74.8	111.3
Bakery Products	86.8	114.1
Sugar and its Products and Glucose	120.7	140.3
Vegetables	107.8	129.2
Onions	185.5	217.3
Potatoes	105.3	119.9
Canned Vegetables	80.9	120.3
11. Animals and their Products		
Meats and Poultry	115.2	139.3
Fresh Meats	136.5	162.1
Cured Meats	92.0	122.5
Poultry	110.7	91.6
Milk and its products	101.0	162.1

He will notice that this is the wholesale index, but the retail is also in here; but this is a more complete one and it shows December, 1945, to December, 1947, and in another reference it gives 1948, which shows that there was a steady increase in their costs and bakery products remained reasonably constant. I think you will take the first table, 6 (a), on page 26.

By Mr. Maybank:

Q. May I draw this to your attention. Your statement respecting which you made the declaration is not based on my question because it took only up to 1945 and what we are dealing with now commences in 1945. I just draw that to your attention to see to what extent you are actually with me in my question.

—A. The Chairman was very insistent that we bring it up to date.

Q. I am not disputing that, but that had nothing to do with my question. My question was, as I put it, relating to your table. The Chairman did state that to have a value the general statement made by you should be brought up to date; but that does not affect the question which I asked. You propose I doubt to answer my question which relates to your table which ends in 1945.

making a statement related to the period between 1945 and 1947.—A. I think not, sir. I was writing the document in October or November of 1947 and I was referring to the steady increase in the price of fruit and I think it is desirable that I should bring it up to 1947.

Q. I am not objecting to your bringing it up to 1947. What I am pointing out is that that has nothing to do with my question. My question was based on your statement and your statement ends in 1945. I do not object that there should be other information given.—A. Mr. Maybank, I beg to differ with you. My statement is up to November of 1947. That is the whole point of the statement.

Q. Mr. Sparks, your statement is in front of me and it deals particularly with the period 1941 to 1945, and that is because that was as far as that particular statement went.—A. That is as far as the figures are available on per capita consumption.

Q. I am not quarelling with you. I am not reproaching you for its not being later. I am only pointing out that my question related to your statement. That is all. And if you do not answer a question which is related to your statement; well, that is all right.—A. It is just a difference of opinion, Mr. Maybank. I believe my answer is completely related to my statement which was a statement written to the consumers association and was a proper thing to say, and I am not prepared to verify it from evidence given before this committee.

Q. All right then, we will take it this way: In your statement you said that between 1941 and 1945 consumption increased because the price of all other commodities was rising and the price of bread remained fixed; during the period 1945 to 1947 that consumption increased between 1941 and 1945 because of changes in price which occurred between 1945 and 1947. That is correct, is it not?—A. It is a matter for the record. It is in the record. I think you are drawing a conclusion which is not fair from the answer given or from the document. I am quite clear in my own mind as to what I was referring to. I think the document discloses what I was referring to. I was writing the document in 1947 and I referred to 1947, that certainly was what I had in my mind; it referred up to 1947 which is the logical thing to do.

Q. That may have been your intention when you were writing this document in 1947, but all I am concerned with is getting the answer which I asked yesterday. I do not think I am getting it. But I will not follow the matter any further, Mr. Chairman, if there are some other questions. I do not think these answers are related to my questions, but the witness is undoubtedly doing his best to meet me and it is just simply that either my question was in the nature of a moving target or else his aim is bad, because we certainly are not together yet.—A. I certainly intend to go further and I am satisfied that I will satisfy you that there was a greater increase in other food products from 1941 to 1945 than in the case of bread. I will satisfy you on that point.

The CHAIRMAN: We are only concerned with bread.

The WITNESS: I want to do the best I can.

The CHAIRMAN: I do not think you have answered Mr. Maybank's question.

The WITNESS: Well, that is a matter for judgment. It is in the record.

Mr. MAYBANK: Yes, it is all there in the record. We can see it later to see whether it has any relation to the question in point.

The WITNESS: Yes.

Mr. MAYBANK: I am content to let the matter rest there for the moment.

By Mr. Fleming:

Q. Mr. Chairman, I have a few questions I would like to ask. You indicated yesterday, Mr. Sparks, that your association, which is the National Council of

the Baking Industry, was formed at the request of the Wartime Prices and Trade Board?—A. Yes, sir.

Q. I think you gave the date as 1941?—A. Yes.

Q. Now, how broadly inclusive is this National Council of the Baking Industry?—A. Mr. Thomas Gordon Taggart, when he asked for it to be formed said it must be all-inclusive, he would only deal with it if it was all-inclusive. We therefore got in touch with all the provincial and other associations we knew existed, and not only associations but groups of individuals; we included Jewish bakers because they have special problems; we included chain stores, because theirs is a special set-up but they are still bakers; so that it was made as all-inclusive as it was conceivably possible to get it.

Q. Had there previously been anything like the National Association in the baking industry?—A. No, sir.

Q. Had there been any regional organizations?—A. Provincially, yes.

Q. Provincially?—A. Yes.

Q. In the provinces?—A. Yes, in several provinces, two or three.

Q. Is this the first time there has been anything like a national association within the baking industry in Canada?—A. Yes, sir.

Q. Now, on the removal of controls and subsidies last September, was there any attempt to have the organization continue or to dissolve it; was any intimation to that effect made to you from the Wartime Prices and Trade Board or the Combines Investigation Commission or any other government source?—A. No, sir.

Q. You have had no intimation that you should either continue or dissolve?—A. No, sir.

Q. And what do you say as to the extent to which the association, that is the National Council, in continuing still represents the baking industry across Canada?—A. I would say that it is likely at a meeting to be held in Toronto on the 7th of April that the functions of the National Council will be practically dissipated. I think they will continue an office here for certain contacts with the government on taxes, tariffs and that sort of thing; but as a national association I think it will be dissipated because it deals with matters which in its operation are largely under provincial jurisdiction—such as labour—and I do not think there is any great place in the industry for a national organization. I would like to see it kept on as I think it would be of great help to the industry in the event of any possible future emergency.

Q. But if they terminate your functioning as a result of this meeting I take it from your answer that it will be on a voluntary basis, not as a result of any direction from government sources?—A. No, absolutely not.

Q. Now, turning to your statement, at the top of page 3, there is an item there to which I would like to draw your attention. You have been speaking in the same paragraph which begins at the bottom of page 2 about the discontinuance of subsidies. Then you continue.

Bakers had carried on—

I take it you mean previous to September.

—had carried on under extremely difficult conditions. Profits had reached the vanishing point and many bakers were showing losses in operation.

Q. On what information do you base that statement?—A. Well, I had been across the country, actually, from Sydney to Victoria. I had attended meetings of bakers in every province, in all the principal cities and, as a result of discussions I came personally to the conclusion that bread, over all, was being sold at cost or less.

Q. That was from oral discussions?—A. Mainly, oral discussions.

Q. Did you see the statements of the companies?—A. Occasionally.

Q. In what proportion of the cases would you say you saw them?—A. I would not say. You will have the record before you and you can find out whether it is right or wrong.

Q. Have you any figures in your association on the volume of bread consumed in Canada since the Wartime Prices and Trade Board stopped issuing figures at the end of 1945?—A. No, I have preliminary figures for 1946, but they do not give the volume. They give the sales only.

Q. That is the sales in a dollar amount?—A. That is right.

Q. You have no record of consumption?—A. No, we are waiting most anxiously for it.

Q. Your members are not in the habit of making your office a place where information is collected?—A. Oh, yes.

Q. As to consumption or the effect of a price rise on consumption?—A. No, we must depend on the bureau.

Q. If you are depending on the bureau, we will go to the bureau for that. You indicated yesterday you might have by this morning some further material bearing on the matter of relating your statement to the present situation. There was some suggestion yesterday about a statement not continuing to the present and you thought that by this morning you might have some more information. Have you any further statement on that?—A. If it is agreeable to the committee I might clear up Mr. Maybank's question about labour costs and their relationship to the cost of production.

By Mr. Maybank:

Q. I was asking whether your statement as to the increase in rates would be equally true as to the increase in labour costs.—A. Yes. I could not do all companies but I took, for example, the Canada Bread Company at Ottawa, which is a large and representative company. They were good enough to bring down the whole thing. They finished about fifteen or twenty minutes ago. I had 50 copies mimeographed and if the committee is interested, those copies are available.

By Mr. Dyde:

Q. This is information given to you by the Canada Bread Company at Ottawa?—A. At Ottawa.

Q. Within the last 24 hours?—A. That is right.

Q. Who gave you the information?—A. Mr. Jarvis, their manager who is sitting beside me. Perhaps I could read it.

MR. DYDE: I think the committee could accept this information for what it is worth.

The WITNESS: Mr. Maybank might like a copy since he asked the question.

Now, this is a statement of bakery wages per barrel of flour used in the production of bread, showing increases and decreases since 1941.

MR. CLEAVER: Will this be marked as an exhibit?

MR. DYDE: We had better mark it for identification as Exhibit 32.

EXHIBIT No. 32: Canada Bread Company Limited, Ottawa, Ontario, bakery wages per barrel of flour used in production.

MR. MAYBANK: This exhibit is very short, perhaps it could be read into the record.

The CHAIRMAN: We will put it into the record.

The WITNESS: The cost of wages per barrel of flour in 1941 was \$1.38; 1942, \$1.34; 1943, \$1.34; 1944, \$1.47; 1945, \$1.68; 1946, \$2.01; 1947, \$2.27; 6 months to December 1947, \$2.26; one month to January 31, 1948, \$2.29. The reduction in 1942 and 1943 was due to a greatly increased volume.

The whole situation is related to two factors: first, the rise in the actual hourly wages and, secondly, a reduction in the hours of labour from 54 to 48.

By Mr. Irvine:

Q. Has the witness got the balance sheets of the company for exactly the same years?—A. No.

Q. This information is useless to me unless you have that.

Mr. MAYBANK: This is what I was asking for, Mr. Irvine.

Mr. IRVINE: I would ask you for the other, too, please.

The WITNESS: If I may say so, Mr. Irvine, I understand that you have called the general manager of Canada Bread. I presume he will be able to give you anything you want in that regard.

The CHAIRMAN: All right, we will ask Canada Bread for that information.

By Mr. MacInnis:

Q. Mr. Sparks said, I think on page 3 of his brief,

There are about 3,000 bakers in Canada, most of them small or medium sized operators—

Did Mr. Sparks analyse those figures to show how many of them were small or medium sized operators and how many of them were large operators?—A. I referred you to the published report of the Dominion Bureau of Statistics which gives that in complete detail.

Q. That is on page 6, is it not?—A. No, on page 8. I started to read them but the chairman said they would go in the record.

Q. Page 8 refers to 1944 and the statistics on page 6, table 4, refers to 1945?—A. Are you speaking of 1944 or 1946?

Q. 1945; the heading is, "bread and other bakery products industry in Canada, 1945, table 4, principal statistics of the baking industry, 1945, grouped according to the size of the establishment"; again, that is a preliminary. You will note that under businesses of \$50,000 there were 2,490 establishments?—

A. Yes.

Q. That would leave 370 doing the rest of the business. The business done by the 2,490 was \$34,469,554 and the business done by the other 370 was over \$98,000,000?—A. Yes.

Q. That means that the 2,490 baking establishments, or over 87 per cent of all baking establishments in 1945 produced only 26 per cent of all bakery products?—A. Correct.

Q. Or, stated the other way around, less than 13 per cent of all baking establishments having a production of more than \$50,000 did produce almost 74 per cent?—A. Right.

Q. Have you analysed that to find out how many of those establishments are owned by such big bakeries as Canada Bread, Consolidated Bakeries and other large bakeries?—A. Yes, but I have not the figures here. I could give it to you.

Q. Of this \$98,000,000, there would be quite a large proportion produced by a considerably less number than 370?—A. Well, the figures are there.

Q. That is the number of companies?—A. That is the number of companies—those are establishments, not companies.

Q. That would indicate a fairly high degree of concentration in the baking industry, would it not?—A. Yes, the larger companies do most of the business. I do not know whether that is concentration but perhaps you would call it that.

Q. Well, I leave it to the committee. You have been taking your material from the Dominion Bureau of Statistics report. Would you turn to page 2, statistics for 1945, and 1939. I believe you mentioned yesterday that, because of inexperienced workers, the number of employees had been increased from 1939 to 1945 or whatever date you were using. I note that in 1939 the total number of employees in the baking industry is shown as 23,121 with a selling value of

the product of over \$76,000,000 or an average of \$3,289 per worker. Now, if you look at 1945, you will find the number of employees had increased to 29,045 and that the selling value of the product was \$132,000,000 which would give a value of \$4,563 per worker?—A. Yes.

Q. Quite an increase over \$3,289 per worker in 1939?—A. What is the question?

Q. I desired to show that Mr. Sparks said, I think at page 2 of his brief, the prices of all bakery products were held at their original ceiling until January 28, 1947, yet it would appear, would it not, that the average production per worker increased by approximately 38·7 per cent between 1939 and 1947?—A. They worked long hours. They worked overtime; it was a tremendous task to get out this volume of production.

Q. In any event, this production increased?

Mr. JOHNSTON: The value of the production.

By Mr. MacInnis:

Q. The value of the production?—A. Yes, that is right. The workers did a grand job.

By Mr. Johnston:

Q. During the time you were executive secretary of the organization, you were in very close touch with the bakers and the Wartime Prices and Trade Board, were you not?—A. Yes.

Q. Then, referring to page 2 of your submission, at the bottom of the page, you say:—

We were assured, however, that, if the cancellation of subsidies and the removal of price ceilings were not in effect by September 1, the board would give consideration to allowing bread prices to be increased sufficiently to provide for rising costs.

in your capacity as executive secretary and in very close association with the trade, could you tell us what the suggestion from the bakers would be as to the rise?—A. Yes, I have it on record. If you want the record, I will give it to you or I will tell you if you desire me to do so.

Q. You could tell us?—A. Yes.

Q. What was it?—A. The baking industry asked for a cent a loaf. As an economist, I could not see any justification for a cent a loaf. I thought we had justification for about a half a cent a loaf and, at a rather stormy meeting of the bakers, I insisted there was no statistical justification for 1 cent a loaf.

Q. Then, you were putting your judgment against that of the bakers themselves, were you not?—A. I was, because I had studied costs and studied increases in prices. I put before the board two formulæ by which they could give us about a cent a loaf—a half a cent a loaf.

Q. Let us leave that for the moment and turn to page 3 of your brief, about the middle of the page.

The three-cent advance in Ontario was not universal. There are some cases where it was less than 3 cents, but, generally speaking, in Ontario and Quebec where a 24-ounce loaf is the legal weight, the advance was 3 cents per loaf.

. Yes.

Q. Would you consider then that 3 cents a loaf was sufficient to cover all the rising costs of the bakers?—A. Positively not.

Q. How do you account, then, for your suggestion a moment ago that a half a cent would be sufficient?—A. A half a cent in April, but with the subsidies moved it certainly should have been 4 cents. I was vindicated, ultimately, and it became 4 cents.

Q. Did you ever, as executive secretary of this organization, make a representation to the Wartime Prices and Trade Board for an increase of 4 cents?

—A. No, sir; competition took care of that and costs took care of that.

Q. Have you figures from the bakers to prove exactly what you have said now, that the rise should have been 4 cents?—A. No, sir. I had nothing whatever to do with the selling price; that was not my job. My job, as statistician, was to give them what information I could. Once controls were removed, they were on their own. I had nothing further to do with it.

Q. You had nothing definite on that?—A. Nothing.

Q. In the following paragraph of your brief you say,

In so far as profits are concerned, the answer is none. It is expected that most bakers will be no better off in regard to profits than they were before the increase in price. Some will be worse off.

Now, in your capacity of executive secretary, you are speaking of the profits of the companies. I suppose you are acquainted with the profits of the different companies?—A. In a general way.

Q. But this is a pretty definite statement?—A. Yes.

Q. How could you make this definite statement when you did not have the facts, except in a general way?—A. I made it on the strength of my general knowledge of the industry and, I presume, your committee is going to investigate it. You can get facts which I could not get and you will find the statement is true, that many bakers are worse off with the 3-cent increase than they were before.

Q. You did not have the proof before you when you made that statement?—A. I had sufficient proof for my purposes.

Q. Did you have the losses and profits of the companies?—A. No.

Q. How could you make a definite statement like that if you did not have the actual facts?—A. I had statistics as to the cost of labour, production and everything else. I could calculate it pretty well.

Q. You are speaking particularly of the profits of the companies?—A. That is right.

Q. Then, you must have been in a position to know definitely because you have made a very definite statement?—A. Yes.

Q. In fact, you have the word "none" in large letters?—A. That is right.

Q. We will leave it at that, then. Let us turn to page 4 of your brief.

The CHAIRMAN: I think it is important, Mr. Johnston, to note in connection with your questioning that the witness has already told us in one case the bakeries did not make money, both large and small; and, in the second instance he has told us that, except for a very few instances, he has not actually seen the profit and loss sheets of any of these companies.

Mr. JOHNSTON: That is what I wanted to get on record because my view is one could not make a definite statement such as that without actually being in possession of the profit and loss sheets of the companies.

Mr. HOMUTH: A man acting as secretary for an association would get certain information from the various—

Mr. JOHNSTON: Were you ever secretary for an organization such as this?

Mr. HOMUTH: No, not one like this.

Mr. JOHNSTON: How would you know, then?

Mr. HOMUTH: I have been the secretary of an organization and I had a general idea as to whether the firms connected with that organization were making a profit, just as the witness would have.

Mr. JOHNSTON: He does not have a definite idea.

Mr. HOMUTH: He does not have to have any financial statements.

The WITNESS: It is definite enough for me to make that statement.

By Mr. Johnston:

Q. Let me turn to page 4 of your brief, the third paragraph:

In a recent annual report of one of the largest and most successful bread companies in Canada,—

What company was that?—A. Canada Bread.

Q. Then, you continue:

—the president reported that for their fiscal year ending June 30, 1947, their average profit per loaf of bread was less than a quarter of a cent per loaf.

How much less was it?—A. I do not know. I am quoting there from a published statement.

Q. Do you know how many loaves of bread they produced during that period?—A. No, I do not.

Q. That evidence would be hearsay evidence?—A. No, it was a published statement by the president of Canada Bread.

By Mr. Cleaver:

Q. Did I understand the witness correctly when I understood him to say a representative of Canada Bread was beside him?

Mr. DYDE: Yes, Canada Bread at Ottawa.

Mr. CLEAVER: Would he have the company's financial statement for the year ending June 30?

The WITNESS: He could get it.

Mr. CLEAVER: That would be interesting.

Mr. IRVINE: In presenting that information, Mr. Chairman, could he give us the profits on the basis of capital invested as well as on the basis of sales?

Mr. JOHNSTON: The financial statement would show all that.

The WITNESS: The president is being called here as a witness.

Mr. JOHNSTON: This witness cannot give us any definite proof with regard to that.

The CHAIRMAN: The general manager is going to be called and we will secure that information from him.

Mr. JOHNSTON: My next question would have concerned a statement at the bottom of page 4 of your brief, but Mr. Maybank has already covered it so I will not go over it again.

By Mr. Cleaver:

Q. There are one or two questions I should like to ask on Exhibit 32. The heading is, "Bakery wages per barrel of flour used in the production of bread". What do you mean by, "bakery wages"?—A. Production wages in the bake shop.

Q. Only?—A. Only.

Q. Do I read the statement correctly when I suggest that the dollar increase from June 30, 1941 to January 31, 1948, is 91 cents per barrel?—A. That is correct.

Q. Am I correct in assuming there are 186 loaves in a barrel of flour?—A. Right.

Q. That is the 24-ounce loaf?—A. Right.

Q. So that would be an increase, then, of less than a half of one per cent?—A. A half of one cent a loaf.

Q. As a result of wages?—A. Right.

Q. Well then, referring to the brief, Mr. Sparks, which you presented yesterday at page 4, the top of page 4 and the bottom of page 3, you say that

"In order to learn something as to average profits, starting in 1943, this office made a survey of the operations of a number of large bakeries operating between Winnipeg and Montreal. This group of bakers did a combined business of more than \$30,000,000."

You are referring there to a yearly basis?—A. Yearly.

Q. Would you give us the employed capital of those bakeries on which you made this survey?—A. No, I have not got that, sir.

Mr. JOHNSTON: He can get it.

The WITNESS: You could get it.

By Mr. Cleaver:

Q. You would not have that in your office when you made the survey?—A. No, the survey was this—

Q. I will take your answer as no. The time element is important. If you have not got it you have not got it. Now on page 4 you give the profits on sales before taxes. Have you information with you as to the profits on the capital employed before taxes?—A. No.

Mr. LESAGE: Mr. Chairman, I have one question.

By Mr. Lesage:

Q. Mr. Sparks, I had some information given to me from a small independent baker and I would like to know if you would agree with what he told me. He told me that since the beginning of the war in the province of Quebec a very great number of small independent bakeries have been absorbed by large bakeries or by subsidiaries of milling companies. The statement applies since 1935 but it applies especially since 1939?—A. I would doubt that very greatly.

Q. I was given a figure of as many as 250 to 300.—A. Well whoever gave you the figure would have to supply the evidence but I would doubt it, that is all.

Q. You would doubt it?—A. Yes.

Q. But there were certain subsidiaries of milling companies, and also holding companies for milling companies, that did absorb a number of small independent bakers?—A. Mr. Lesage, the bakers in your province had terrible times. Their prices, as statistics show, were the lowest in Canada and they were pegged at quite an unfair price. I did everything in my power to get the Quebec bakers a reasonable price.

Q. Yes, that is what the man told me—just what you are telling me now, but he added that they had such terrible times they were absorbed, or a large number of them were absorbed by large bakeries and subsidiaries and holding companies?—A. If you told me they had failed in business I would accept that as true.

Q. No, they did not fail in business.—A. It would be a very surprising thing if it were true.

Q. I know of some myself. La Boulangerie Nationale is the property of Glenard Securities, as is Regal Bakeries in Hull?—A. Yes.

Q. And in Montreal a large number of independent bakers were absorbed by large companies, the Inter City Bakeries, and Canada Bread.

Mr. PINARD: Take for instance Excel Bakeries, which used to be owned by Brousseau Co. but today it is General Bakeries.

The WITNESS: Yes, but that is exactly the opposite thing to the theory bakeries were absorbed. A large chain of bakeries dissolved and broke up into pieces which is exactly the opposite to concentration. They sold four companies to this new company, General Bakeries under Purity.

By Mr. Lesage:

Q. General Bakeries is Purity?—A. Yes, and they sold some to the Trent Valley Bakery.

Q. Which is that?—A. It is the Trent Valley Bakeries, it is in Ontario.

Q. Is it owned by a flour mill?—A. No, all these bakeries got out of the flour mill hands. Quite a large stream of bakeries which had been controlled by Purity were broken up into small units, which is the opposite to concentration.

Q. Ogilvie's holder is Glenora, and it has been taking control of quite a number in Quebec lately?—A. I am not a good witness on the subject but I have a good deal of knowledge.

Q. Yes, that is why I am asking you.—A. I have a good deal of knowledge.

Q. Yes, but you do admit Glenora Securities— —A. That is not a baking company.

Q. No, it is a holding company for Ogilvie flour mills.—A. I do not know.

Q. Well you know Glenora holds practically all the shares of Regal Bakeries?—A. Yes.

Q. And La Boulangerie Nationale?—A. If I might express an opinion as to why this occurred—a large number of bakeries got in debt to the milling companies to such an extent that the milling companies supported them and perhaps changed the management, got a new manager, as they did with Mr. Kelleher. I know the story of Regal Bakeries and it is a very sad story.

Q. Yes. They got in debt to the milling companies and the milling companies just absorbed them?—A. I would not say absorbed.

Q. Well we will not discuss the technicalities, they control them?—A. Yes, I think they control them.

By Mr. Pinard:

Q. Is it not a fact some of these independent bakeries could not keep in business because they could not get a proper supply from the milling companies?

—A. I would say that is absolutely incorrect. The flour business is a highly competitive business. Any man who wants to buy 100 bags of flour or 100 barrels or 1,000 barrels or 20,000 barrels can get it from 50 different sources.

Q. If they got into debt they could not buy anywhere else though?—A. That is correct, if they got into the hands of the milling company, and I do not want to defend that.

Q. Yes, if they got into the hands of the milling companies for whatever reason?—A. That is right.

Mr. FLEMING: You said the milling company business is highly competitive? What do you say about the baking industry?

The WITNESS: More competitive than any other industry in Canada. It is the last word in competition. It is 100 per cent competition. Perhaps the most important statement made before this committee was in two lines stated by Mr. Taylor. "—if you have perfect competition you must have uniform prices in the sense that prices must settle down to a uniform level." Precisely that happened.

Mr. DYDE: You said Mr. Taggart, did you mean Mr. Taylor?

The WITNESS: No, I said Mr. Taylor.

By Mr. Fleming:

Q. Will you put the page number on the record?—A. Page 556. This economic theory is based on the belief the product is always the same, the system of distribution is the same which is necessary in order to fulfil this economic theory. This worked in the baking industry and I will illustrate twice. One type of baker wanted 14 cents, a lot of them, and another one, a

large operator fixed the price at 13 cents and they all had to go to 13. The same thing worked in the chain stores. A & P were controlling the picture because they had their own bakery. A & P were the last to raise. You had it in evidence that Dominion Stores went up to 11 cents and as soon as A & P came on the market at 10 cents they went down, completely following up the point. What Mr. Taylor said is the most important single statement made before the committee.

Q. You are saying the keen competition in the industry expresses itself in this way that when one large supplier on the market sets a lower price he can compel the others to go down to it?—A. Large or small. I think the committee will benefit if I illustrate the effect of the small dealer. The chain store policy is to meet all competition. I have no quarrel with it but I am going to illustrate by a case if I may. I think it is of interest to the committee because illustration is better than a general statement. In the city of Hamilton, as in the rest of this market, bread was being sold by chain stores at 8 cents a single loaf or 2 loaves for 15 cents.

The CHAIRMAN: On what date?

The WITNESS: Previous to the war and up until subsidies were cancelled. Shortly before prices were fixed a small dealer, not a small dealer but a dealer operating five retail stores, offered bread at 3 for 20 cents which is lower than 7½ cents. Immediately, or perhaps a few weeks passed and then all the chains came to 3 for 20 in a wide area as far away as St. Catharines. The whole price structure fell because one small operator went to 3 for 20 cents.

By Mr. Pinard:

Q. What is the name of the operator?—A. Pardon?

Q. What is the name of the operator?—A. The name of the operator is Quality Groceterias operated by a man named Pollock. He obtained his flour first from a small bakery named Linkert who went broke. Then he got another baker, Ewing, who went broke. Nobody could make anything on the sale of bread at 3 for 20 cents and Pollock lost his source of supply. I understand he is going to build a bakery on his own but in the meantime, two bakers went out of business trying to make a profit on 3 loaves for 20 cents. At times it is the big baker who makes the low price and at times it is the small baker, but the rest of the trade must follow along. The theory which Mr. Taylor expressed before this committee has worked 100 per cent all over Canada.

Mr. MACINNIS: Let us carry that further.

The CHAIRMAN: Mr. Fleming is not finished.

Mr. FLEMING: I have just one or two more questions.

By Mr. Fleming:

Q. There have been suggestions about control of the baking industry, or at least some members of the baking industry, by the milling industry or some members of the milling industry. What would you say has been the effect of that if it is a fact to your knowledge? What has been the effect of the competition that you say exists in both those industries?—A. Outside of one incident, of Mr. Short stepping in, I do not know that it exercises any control at all. The reason is, that all baking establishments are relatively small. They are all local, whether owned by the Canada Bread Company or anybody else because it is impossible to move the bread very far from the bakery owing to the necessity of delivering it in a state of freshness. Large companies in the baking industry are not like other industries because all branches are definitely local. They meet local conditions over which the head office has no control at all. They must compete in their own narrow field whether owned by the mills or the independent. I can

tell you we independents are quite able to meet the others, and there is no advantage I have ever observed by being owned by a mill. There is a disadvantage.

Q. What form does the disadvantage take?—A. It takes the form—I have a report by Walter Gordon whom you are going to employ, a very competent authority and the report of the whole thing, of their investigation, was to the effect the independent was buying flour at slightly below the big chain stores. Of course that is understandable because they can go and shop all around. If they are in the market for 10,000 barrels of flour they will have 20 suppliers.

Mr. LESAGE: Unless they are in debt, and if they are in debt to a certain mill then they could not shop around?

The WITNESS: That would be in some cases right, quite right. There would be cases of that but on the whole Walter Gordon reported in his investigation the independent got a little shade better price than the big fellow.

Mr. FLEMING: When was that?

The WITNESS: I have the report here. I can read it to you. It is a report made by J. D. Woods and Company who are now Woods and Gordon, managing consultants, in Toronto. It is made on May 1, 1942.

By the Chairman:

Q. I wonder if we could have copies of that—A. Perhaps I should say this was given to me in confidence. It is a Wartime Prices and Trade Board document but it was given to me because I was asked to give an answer. I did give an answer and this is my answer. There are two large briefs dealing with the distribution of bread. They are very interesting documents to anyone who is interested. The Wartime Prices and Trade Board suggested that there was some wastage in house-to-house delivery daily and they asked this company to report as to whether or not house-to-house delivery was inefficient and wasteful. The company came to the conclusion that it was not wasteful but perhaps every second day delivery would be better and I prepared a brief to answer that suggestion because I was convinced, and still am convinced, that the cheapest way to get bread to the consumer is house-to-house delivery. I went to the United States and studied it there, and I had studied it in Canada. I came back, absolutely convinced that the cheapest way to get bread to the consumer is house-to-house delivery.

Q. Do I understand the report of J. D. Woods Company was made to the Wartime Prices and Trade Board at their request?—A. At their request.

Q. And the Wartime Prices and Trade Board asked you for your view in a brief you submitted to them?—A. Yes.

Q. Those two documents were both written in 1942?—A. Yes.

Q. What do you say generally as to whether the conclusions reached in 1942 are valid conclusions as applied to 1948?—A. Yes sir, they are absolutely valid. Then I deal with the saving of gasoline and rubber. Gasoline was very scarce and in my investigation the information I came across in reporting proved to my satisfaction that house-to-house delivery saved gasoline. It saved millions and millions of gallons of gasoline because it was shown when there was no house-to-house delivery customers drove their own cars to the store and wasted far more than would have been wasted if there had been only one vehicle moving instead of twenty or thirty. I have a great deal of information on here.

Q. Let us keep the subject to the recent rise in prices.—A. This is a very important question.

Mr. FLEMING: As far as these two documents are concerned, none of us know the contents of them or whether they ought to be filed. May I suggest Mr. Dyde look them over sometime and tell us if he thinks they would be of any use to the committee.

The WITNESS: I do not like to delay the committee by having to listen to evidence but I do want this clearly on the record. It can be proved that house-to-house delivery is not wasteful but is the most economical way of getting bread to the consumer.

Mr. BEAUDRY: May I ask a question?

Mr. FLEMING: The witness has not finished.

The WITNESS: I would like a more lengthy discussion.

The CHAIRMAN: We are not here to discuss the history of bread, we are here to discuss our special purpose as I have constantly indicated. If you have anything to say with regard to the immediate purpose of this committee, all well and good, but I think we have had sufficient general statements now.

The WITNESS: Well, you took a general statement from Mr. McGregor, a very high and proper thing—

The CHAIRMAN: With regard to the question of whether there were combines which resulted in bringing about an increase in the price of bread.

The WITNESS: Pardon me, sir. You took a very much broader statement.

Mr. MAYBANK: I wish to raise this point as a member of the committee. I feel probably it may be difficult for you, Mr. Chairman, but I feel the witness should not dispute with the chairman of the committee as to whether a certain piece of evidence is or is not desirable for this committee to have. The direction of the committee must be in the hands of the Chairman, it seems to me; and I submit that the witness should discontinue arguing as to whether a certain type of evidence which he would presume to put in ought to be received; and he should submit himself to the direction of the chair and to the questioning of members of the committee rather than arguing as to what should be taken in as evidence.

The WITNESS: Perhaps I may—

The CHAIRMAN: Mr. Beaudry, you had a question?

Mr. BEAUDRY: If I may put it, yes.

Mr. IRVINE: It is your turn.

By Mr. Beaudry:

Q. Is it your statement, Mr. Sparks, that house-to-house delivery is the cheapest method of getting bread to the consumer?—A. Yes.

Q. Also from the bakers' point of view?—A. From the consumers' point of view, the consumer is the beneficiary; if it is cheaper for the consumer.

Q. Well, let me ask my question; I said, from the bakers' point of view—A. No.

By Mr. MacInnis:

Q. Mr. Chairman, I have just one question for Mr. Sparks, if I might for a moment refer him to what was said by Mr. Taylor on page 556 of the report Mr. Taylor says:

Competition, of course, can take a variety of forms. In some areas price competition is at least partially replaced by what we commonly call service competition. I would say further for what it is worth as a general impression that the baking industry is pretty competitive. It is of course, one of the paradoxes of the competitive system that if you have perfect competition you must have uniform prices in the sense that prices must settle down to a uniform level. It is an old economic dogma that you cannot have two prices for the same goods at the same time in the same market if you have perfect competition.

You notice that Mr. Taylor said "dogma", that the dogma might not be economic. Would you agree with Mr. Taylor's statement?—A. Oh, yes.

Q. And that is that, let us have it perfectly clear, to have perfect competition prices must be at a uniform level?—A. Right.

Q. Well, does not that rule out; or, it does either one of two things; it must be that prices are set after consultation between competitors or it rules out—any competitor who can produce more efficiently than the others must maintain his price at an uneconomic rate?—A. The most efficient, generally speaking the most efficient operator will fix the price. The lowest cost, or the lowest willing seller will fix the price for the whole market.

Mr. IRVINE: And in fixing his price will he not ultimately fix it for the other competitors?

By Mr. MacInnis:

Q. The other competitors who can't compete in price will ultimately come to the point where they will go out of business?—A. Right.

Q. Well then, that will ultimately leave one firm providing the product in that industry?—A. Not in the baking industry, because I have made—

Q. Just a minute, I am not mentioning any particular industry, I am dealing with the principle that competition to be perfect must be based on a uniform price?—A. Right.

Q. Well then, as each let us say less efficient unit is put out of business you will ultimately come to the stage where you have but one unit remaining and then you have a monopoly?—A. I think that is quite right. There is another thing there, if you want to discuss economic principles—

Q. Well, may I just finish—

Mr. BEAUDRY: This is not a debating society.

The CHAIRMAN: You have answered the question, let us not go beyond that.

By Mr. Cleaver:

Q. If I might, this witness will undoubtedly have this information: Mr. Sparks, before control what was the normal mark-up on a 24-ounce loaf of bread at the retailers?—A. There is nothing normal in this industry. It runs, as Mr. McGregor testified, from one cent to nearly three cents.

Q. Before controls?—A. Yes, and still. That is one of the troubles right now in this very market.

Q. What mark-ups were permitted during the period of control?—A. They were frozen at whatever they were.

Mr. CLEAVER: I see.

By Mr. Beaudry:

Q. Mr. Sparks, may I ask, when you wrote the document you referred to earlier, in 1942, what was the main reason for both the investigation by Mr. Jordan and your research?—A. Because they thought it was wasting gasoline and rubber.

Q. In other words, you were not then concerned with the cost to the consumer or the cost to the baker, you were dealing particularly with the question of the conservation of gasoline?—A. The board was.

Q. Yes? So you must agree with Mr. Fleming. He asked you if the conclusion arrived at in 1942 would apply to 1947 or 1948, today, and you answered yes; are you still prepared to state that definitely, that that conclusion applies to 1948 when conditions have changed?—A. But conditions have not changed competitively.

Q. Certainly one condition has changed and that is the need for the conservation of gasoline.—A. Yes, that would still apply.

Q. That would be a matter of inclination?—A. That is right.

Q. But as a result of the economic study you made you did come to the conclusion then that delivery every second day would not be economical?—A. Not only was it not economical but it was physically not possible. The drivers could not take out two loads in one day. They served an average of 176 calls each day, Monday to Friday and on Saturdays they served 213. It was physically impossible for drivers to handle double that volume in one day as would have been required in deliveries every second day and it would have meant an immense increase in cost.

Q. What does that 176 calls represent in loaves of bread?—A. I think I have that here. This was a study made by Walter Gordon. I was a little wrong in my figures; the number of customers served Monday to Friday was 179, and 380.3 on Saturday.

Q. Just give me the number of loaves, please.—A. I haven't got the number of loaves.

The CHAIRMAN: Then you cannot answer the question.

The WITNESS: Not in that form.

The CHAIRMAN: Unless the committee has something that is very pressing I think we can let this witness retire and proceed to our next witnesses, those from the A & P stores.

Mr. BEAUDRY: I would like to make one point. It may have some bearing or it may not, but I will leave that to the opinion of the committee. I would like to find out what it costs to deliver a loaf of bread. I want to establish whether the consumer gains or not by having it delivered to his home instead of going out to purchase it; what delivery represents in actual cost. I would like to find that out because I think it has considerable bearing on the price increase.

The CHAIRMAN: Do you not think we can get that from other witnesses? I think your question is important.

Mr. BEAUDRY: We could get it individually from witnesses whose costs might not apply to the industry at large. This witness has qualified himself as able to answer for the industry at large.

By Mr. Beaudry:

Q. Do you know the cost of delivery of a loaf of bread?—A. No, conditions vary a great deal.

Q. As between what, for instance?—A. As between areas where you have apartment houses, and where you have not.

Q. And the cost ranges between two cents, and what?—A. 2.5 to 3.5 cents.

Q. Per loaf?—A. Per loaf.

Mr. JOHNSTON: Do not people who go to the stores to get their loaf of bread buy other groceries at the same time?

The WITNESS: No. We have a lot of figures on that. That applies on Saturday but not for week days.

By Mr. Beaudry:

Q. I take it your answer is that the price to the consumer for bread delivered to his door increases very little except by the amount to which you referred, 2.5 to 3.5 per loaf.—A. If I may add—

Q. I want an answer, yes or no.—A. I think I should be allowed to add that there is the wholesale cost of delivery, and if you add the wholesale cost to the middle-man's mark-up you arrive at just about the same figure.

Q. Answer the question please, yes or no; does the price of bread delivered to the consumer's door increase the cost to the consumer by from 2.5 to 3.5 cents?—A. No. I did not say that at all.

The CHAIRMAN: What is your answer to Mr. Beaudry's question? You have been asked it three times now.

The WITNESS: He is restricting me in my answer. His question is ambiguous.

Mr. BEAUDRY: It is not ambiguous.

The WITNESS: It is ambiguous, very ambiguous.

The CHAIRMAN: Let the committee rule whether it is or not.

Mr. BEAUDRY: I want the cost delivered to the consumer's door, the increase over the cost of production.

The CHAIRMAN: I suggest that you can get that information from other witnesses who will be called.

Mr. BEAUDRY: Well, Mr. Chairman, there is also another point on which I want to get some information from this witness and I may as well get it now.

The CHAIRMAN: All right.

By Mr. Beaudry:

Q. I think we have sufficient figures before us now on which to work, but I would like to know if I am right in stating this: That the cost of delivery per loaf of bread is paid for by the consumer eventually, and that that cost ranges from 2.5 cents to 3.5 cents?—A. And that is the increase which the retailer puts on if he does not deliver. He has to pay the retailer the mark-up if it is not delivered. This is an operation between the producer and the consumer and it is the only industry in Canada, if I am not awfully misled, in which the thing you get is delivered direct from the producer to the consumer, and it is therefore the most efficient type of delivery.

Q. What about milk?—A. The most efficient distribution of any food product, and I am prepared to prove that.

Q. I am not disputing that. What about milk?—A. Milk is always processed between the producer and the consumer.

Q. Unless the producer processes it himself.—A. Pardon?

Q. Unless the producer processes it himself.—A. That occasionally happens, but it does not apply 100 per cent.

Q. We won't go into that. I am asking you if the figures I gave you are correct?—A. Yes.

By Mr. Winters:

Q. The witness has told us that he bases his assumption on the fact that people either have bread delivered to their own homes or go in their automobiles to purchase it. Can you tell the committee how many times people go to buy bread in their automobiles?—A. I cannot tell you how many times they go in their automobiles.

Q. Of which part of the country are you speaking?—A. I have not the Canadian figures so I should not say that.

Q. Most people in large parts of the country walk for their bread yet they pay the same price for it as people who drive for it or have it delivered to their own doors.—A. You would be surprised how many people drive for it.

Mr. WINTERS: And you would be surprised how many people there are who do not.

Mr. IRVINE: The people who do not pay a higher price for it.

The CHAIRMAN: Do you wish to pursue that further?

Mr. WINTERS: I think we are on a subject here which has a bearing on a large part of the population, and I would like to emphasize that in my part of the country people buying bread do not go to the stores for it in their automobiles.

The CHAIRMAN: Well, this witness has said that he has no Canadian evidence.

MR. WINTERS: I do not wish to pursue it further.

The CHAIRMAN: I think it ought to be pursued, but Mr. Sparks says that he has no Canadian evidence which he can give.

The WITNESS: I have a lot of evidence.

The CHAIRMAN: You have just said that you have no Canadian evidence.

The WITNESS: None on the particular question which arose, but I have plenty on other angles of it. It is right here in this book.

The CHAIRMAN: Well, we are going to get that, but we have you now, and if you have no further evidence I do not see why we should continue any longer, unless there are some other questions that the members wish to put.

By Mr. Winters:

Q. I was just wondering, Mr. Chairman, before we leave this, how much evidence the witness has on baking operations in the Maritime provinces?—A. Well, I got the Bureau of Statistics to put in a little stuff in their questionnaire.

Q. But is your association broad enough—I think Mr. Fleming asked that question—to give you a picture of baking operations in the Maritime provinces?—A. I could give you a lot of information about it.

Q. Do most of the bakers in the Maritime provinces belong to your association?—A. The Maritime Bakers Association does, and I presume most of the bakers in the Maritimes belong to it. I do not deal with individual bakers at all, I deal with groups.

Q. So that you would not necessarily be in a position to give us a comprehensive picture of the baking industry in the Maritime provinces?—A. I have been there frequently. I have a good deal of information on the general situation, yes.

Q. Previously when you were discussing this cost of delivery, you were not prepared to give us a fair picture of the operations in the Maritimes in that respect—A. I have something on it. There is a great deal. It is mostly house-to-house in the Maritimes.

Q. Yes—A. I have the percentage figures.

Q. Yes?—A. I have the percentage figures on that if you want them.

Q. I do not think so.

By Mr. Fleming:

Q. Is that the percentage of house-to-house deliveries in all parts of Canada?—A. Yes, it is in the Bureau of Statistics report.

Q. We are going to get that?—A. It is here, (indicating of a book).

MR. JOHNSTON: Then, give us the page.

The WITNESS: It is page 22.

MR. JOHNSTON: Then we can look it up.

The CHAIRMAN: Yes.

MR. LESAGE: Is it possible to get copies of that?

The CHAIRMAN: Yes, we are getting copies of that. Are there any other questions?

MR. CLEAVER: The next witness.

The CHAIRMAN: Thank you, Mr. Sparks.

Witness retired.

MR. DYDE: The Great Atlantic and Pacific Tea Company. Mr. Chairman, I think the most convenient way of dealing with this company is to call Mr. Bird as purchasing agent for the company and he may come back to the stand because there is also Mr. Burdon here who is an expert on cost. I think we might open with Mr. Bird and ask him some general questions and then we will

come to Mr. Burdon and then perhaps back again to Mr. Bird at the committee's convenience.

The CHAIRMAN: All right.

George W. Bird, Purchasing Agent, Great Atlantic and Pacific Tea Company Limited, called and sworn.

By Mr. Dyde:

Q. What is your full name, Mr. Bird?—A. George W. Bird.

Q. What is your occupation?—A. I am purchasing agent for the Great Atlantic and Pacific Tea Company Limited.

Q. Your address?—A. 7 Grenadier Gardens, Toronto.

Q. And you are familiar with the general operations of the company, are you not, Mr. Bird?—A. Yes, sir.

Q. Would you outline for the committee, please, the basis of operations of the company in Canada. How many stores have you?—A. 123.

Q. And they are situated, where?—A. 74 in Ontario and the balance in Montreal, with warehouses in Toronto and Montreal—the Toronto warehouse is located in Toronto, of course; and the Montreal warehouse is located in Montreal; and the stores are located in Ontario and Quebec.

Q. And can you describe briefly where the stores are located, without going into every particular?—A. There are 18 stores in the city of Toronto and 13 in the city of Montreal; 7 in the city of Ottawa and the balance would be in the outlying country territory in both Ontario and Quebec; as far north as Quebec city (if that is north) and as far west as Windsor.

Q. And, would you say something of your merchandising practice; that is, what type of store have you and what is your method of merchandising?—A. These stores are all self-service stores. We operate with a full line of groceries and in most cases meats and fresh fruits and vegetables, and also merchandise our own bakery products of our own manufacture.

Q. There may be a question or two that I will ask you that you would prefer to have answered by Mr. Burdon. Do not hesitate to tell me if there is. Are you able to give the committee information as to the cost of flour to your company?—A. Yes, sir. Would you like it at the present time?

Q. I would like it at various dates, if you can; let me have it starting with September 1, 1947?—A. September 1, 1947, the cost was \$3.85 per barrel. That is net with no discount.

Q. And would you give us the next date on which there is a change and tell the committee, please?—A. On the 15th of September the price increased to \$7.85 per barrel and since that date there have been eight reductions in cost until at the present time the cost is \$6.95 per barrel net.

Q. Have you any long-term contract with a flour mill or a flour supplier?—A. No, sir.

Q. None at all?—A. None whatsoever.

Q. How do you purchase your flour?—A. We purchase our flour strictly on a market basis; in other words, we buy our requirements as we need them.

Q. And from various sources?—A. I would not say from various sources, we have one or two sources of supply.

Q. Would those be your main sources?—A. They would be the main sources, yes.

Q. What are they?—A. The Copeland Flour Mill of Midland is our main source of supply. We also buy a small quantity of flour from the Robinhood Flour Mills. I believe their head office is in Montreal.

Q. Are you able to give the committee information as to your inventories of flour prior to the removal of subsidies and thereafter?—A. I think Mr. Burdon could answer that question probably better than I could.

Q. All right. Now, perhaps you might give us some general information as to how you sell bread; do you bake your own bread?—A. Yes, sir; we do.

Q. Where is it baked?—A. It is baked in Toronto and Montreal.

Q. At bakeries which are owned by your company?—A. That is correct.

Q. And is there any connection between your company and an American company of the same name or a similar name?—A. Yes, sir.

Q. What is the connection?—A. We are a wholly-owned subsidiary.

Q. Of?—A. The Great Atlantic and Pacific Tea Company.

Q. Can you also give the committee the brand name of bread which your company sells?—A. Yes, sir; Anne Page.

Q. And is that in various qualities or types?—A. It is in various types but in only one quality.

Q. And you have different names for the different types?—A. Just to designate the type of loaf—whole wheat, rye, cracked wheat.

Q. And the Anne Page loaf is white bread, there is no subdivision of it; is it the same throughout your sales?—A. We do also make a vitamin B white loaf.

Q. Do you sell bread made by any other baker than your own company?—A. Yes, sir.

Q. Can you indicate to the committee how much?—A. We have made an experiment in two stores in Toronto and four stores in Montreal with Christie's bread merely in an attempt to determine consumer preference as it may apply to what we call advertised brands of bread. Actually the sales at the points where we have been checking these experiments amount to between 8 and 9 per cent of our bread sales. In these stores in Toronto it amounts to about 4 per cent and in Montreal I think it is 1.3 per cent.

Q. Is 1.3 per cent in Montreal?—A. Yes.

Q. And we are correct about your percentage in Toronto?—A. That is right.

Q. Can you inform the committee as to what the proportion of bread sales of your company is to your total sales operations?—A. Approximately $2\frac{3}{4}$ per cent.

Q. Is that on bread alone?—A. That is on bread alone.

Q. Not including sweet goods or cakes?—A. No, sir.

Q. And what proportion of your bread sales are in the 24-ounce loaf wrapped and unsliced?—A. You mean white bread, Mr. Dyde?

Q. Yes.—A. I do not know whether I have that figure or not—approximately 65 per cent.

Q. That is the main item of your bread sales?—A. That is right.

Q. There are one or two other general questions, Mr. Bird, before I get the cost sheet before the committee. Do you in any way limit the amount of Anne Page bread which you place on sale in your store?—A. No, sir.

Q. There is in your stores available for customers Anne Page bread at any time as long as the supply lasts?—A. To the very best of our ability to produce it.

Q. And, do you find that the stores are sold out of the Anne Page before the end of the day?—A. I would say that is possible.

Q. Do you have any carry over for the following day?—A. No, sir.

Q. Have you changed the quality of Anne Page bread since September 1?—A. Yes sir, we have.

Q. Will you explain to the committee in what way the change has been made?—A. I am reading from some formula changes here, Mr. Dyde. I do not know just how you want them, whether you want them on a percentage basis or on the total increase in cost.

Q. Have you got a document which you can produce to the committee and then explain?

Mr. WICKETT: The document is the formula and if the other companies produce their formulae we are quite willing to produce ours.

Mr. HOMUTH: I think it was generally understood that no company was to produce its formula.

The WITNESS: Possibly I could explain it so it would be reasonably clear.

Mr. FLEMING: One witness yesterday gave the ingredients but did not give the percentages.

The WITNESS: I have them both.

Mr. MACINNIS: Is the witness prepared to give the formula?

Mr. JOHNSTON: I think it should be clearly understood he is not giving the formula unless he desires.

Mr. IRVINE: I think we should demand the formula from every baker in Canada.

Mr. FLEMING: Well I do not.

Mr. HOMUTH: You should not demand it of anybody.

Mr. CLEAVER: We are all agreed on that.

Mr. DYDE: Perhaps you can give the committee some information at least and then we will see where we stand.

The WITNESS: Well, after September 15—and these changes have not taken place all at once but they have taken place as the various ingredients became more available or more plentiful—

The CHAIRMAN: Can you speak just a little louder?

The WITNESS: Yes. Since September 15 we have discontinued the use of malt and have increased the quantity of sugar. We have also increased the quantity of lard and we have increased the quantity of milk. The percentage of flour in the loaf, naturally in view of these changes, has been slightly reduced. The actual effect is an increase in the formula cost of approximately 80 points per loaf, nearly 1 cent per loaf.

Mr. MACINNIS: What was that?

The CHAIRMAN: An increase in the formula cost of nearly 1 cent per loaf.

The WITNESS: Yes.

By Mr. Dyde:

Q. That is as between what dates?—A. That has taken place between September 15 and the end of December.

Q. There have been no changes since the end of December?—A. None to my knowledge.

Q. None that would effect the cost?—A. No, sir.

Q. I think, Mr. Chairman, that I will ask Mr. Bird to stand down until we ask Mr. Burdon to give the table which I would like produced at this point.

Paul Parker Burdon, Cost Examiner, Atlantic and Pacific Tea Company Limited, sworn:

By Mr. Dyde:

Q. What is your full name?—A. Paul Parker Burdon.

Q. Your address?—A. 58 South Brussels Street, Boston, Massachusetts.

Q. And your position with the A. & P. Company?—A. Cost examiner.

Mr. JOHNSTON: I cannot hear the witness at all.

The CHAIRMAN: I did not hear that either, Mr. Burdon.

The WITNESS: Cost examiner.

By Mr. Dyde:

Q. And is that for the Canadian company or for both companies?—A. That is for the bakery division of both companies.

Q. Yes. I have asked you, Mr. Burdon, to bring with you a statement showing the selling price of the types of bread that the Atlantic and Pacific Tea Company sells and I am asking you to produce that in the way of a table. This has been prepared by you and you have supplied the material for this.—A. I submit this, Mr. Chairman, as exhibit 33.

Exhibit No. 33—Selling price and cost of 24-ounce loaf (wrapped, unsliced)
A & P Stores, Toronto and Montreal.

SELLING PRICE AND COST OF 24-OUNCE LOAF (WRAPPED, UNSLICED)
A & P STORES—TORONTO AND MONTREAL

	At 1 Sept. 1947	At 22 Sept. 1947	At 1 Dec. 1947	At 14 Feb. 1948
Anne Page, Regular	Cts.	Cts.	Cts.	Cts.
Selling price—per loaf	7.50*	10.00	10.00	10.00
Cost price—per loaf (f.o.b. bakery platform)	6.87	8.80	9.00	8.70
Gross margin—per loaf—before deducting cost of transportation to store or selling costs	0.63	1.20	1.00	1.30
Per cent gross margin to selling price	8.4	12.0	10.0	13.0
Anne Page, Vita-B	Cts.	Cts.	Cts.	Cts.
Selling price—per loaf	7.50*	10.00	10.00	10.00
Cost price—per loaf (f.o.b. bakery platform)	6.86	8.80	9.00	8.70
Gross margin—per loaf—before deducting cost of transportation to store or selling costs	0.64	1.20	1.00	1.30
Per cent gross margin to selling price	8.5	12.0	10.0	13.0

*Two for 15 cents.

The CHAIRMAN: All right.

By Mr. Dyde:

Q. Mr. Burdon, this document, exhibit 33, covers the selling price and cost price at both Toronto and Montreal stores?—A. That is correct.

Q. And throughout your chain?—A. Throughout.

Q. Does the bread sell at the same price in Toronto and in Montreal?—A. Yes.

Q. And does it cost the same to produce it at each bakery, that is Toronto and Montreal?—A. Within one-tenth of a cent.

Mr. PINARD: What was that?

The CHAIRMAN: Within one-tenth of a cent.

The WITNESS: Sometimes one is higher, sometimes the other is higher, but they are practically the same.

The CHAIRMAN: Mr. Pinard tells me he cannot hear.

The WITNESS: I have almost no voice but I will do the best I can.

The CHAIRMAN: I wonder if we could not try an experiment which I have been wanting to try for some time? Would you sit up there, Mr. Burdon, at the other end of the room?

Mr. HOMUTH: He ought to come over on this side; he will be in bad company there.

By Mr. Dyde:

Q. Mr. Burdon, what is the selling price of your bread in Ottawa?—A. Ten cents.

Q. And does the bread which you sell in Ottawa cost the same as bread that is sold in Montreal and Toronto?—A. Yes, sir.

Q. I note that on exhibit 33 you have inserted a phrase in brackets "f.o.b. bakery platform"; what do you mean by that?—A. Our cost is computed on the manufactured basis, wrapped, and ready to be loaded on the trucks.

Q. That is, no allowance has been made for the cost of transporting bread to the store?—A. No.

Q. Following that for a moment, are you able to give an estimate as to how much that cost of transportation might be?—A. No, sir.

Q. Do you not keep the figure? Is that why you cannot give it?—A. Not separately as to bread. It is an over-all figure which would include drugs, meat, and everything.

Q. You cannot isolate it?—A. It is practically impossible.

Mr. WINTERS: Just the delivery from the bakery to the store?

The WITNESS: That is right.

Mr. CLEAVER: Perhaps he would have the per ton cost of delivery of all the commodities?

Mr. DYDE: I was going to ask if you could give any figure which it would be safe to say the cost did not exceed?

The WITNESS: No.

Mr. DYDE: You are not able to do that?

Mr. BEAUDRY: Do I undersand your method of distribution is to transport from the bakery to a warehouse and then from the warehouse?

The WITNESS: No, the bakeries are located right in our shipping warehouses in Toronto and Montreal and the bread is loaded on trucks going to the stores at that point.

The CHAIRMAN: I cannot hear a word.

Mr. LESAGE: Which proves it is your turn now.

Mr. PINARD: Well, is it better for the chairman to hear or the members to hear?

Mr. JOHNSTON: Perhaps the chairman could move down now.

The CHAIRMAN: It is the mumble which is going around, made by the members. and if we could all just listen to the witness and keep our eyes on him it would help.

The WITNESS: Well, rather than direct my reply to the speaker perhaps I could direct it to you. The bakeries are located in Toronto and Montreal warehouses and the bread is put on trucks to the stores at that point. There is no intermediate handling.

By Mr. Fleming:

Q. May I just interrupt there. Is all your bread to the outlying stores, not including Toronto and Hamilton, delivered by truck operating directly between the bakery platform and the store?—A. Except in some of the northerly points where it goes by express.

Q. What kind of express, railway express?—A. Yes.

Q. Have you any costs on that?—A. Not with me.

Q. Your price in those northern points is the same as the price in Toronto?—A. No sir, the price is higher.

Q. Well I misunderstood a previous answer. I thought it was said to be a uniform price?—A. In Toronto and Montreal.

By Mr. Dyde:

Q. Prices differ according to locality Mr. Burdon?—A. With that one northern point.

Q. Just one northern point?—A. One northern group of stores.

Q. How many are in the group?—A. I would have to refer that to Mr. Bird, I do not know.

Q. Can you say what the price is there?—A. No sir.

Q. You could, by referring to your records?—A. By price do you mean the selling price to the consumer? I do not know that. The cost is the same to those stores.

Mr. CLEAVER: You charge those individual stores the same?

The WITNESS: Yes, that is right. Every store has exactly the same cost.

Mr. FLEMING: Do you charge against those northern stores the cost of the express?

The WITNESS: I do not know, I would have to ask Mr. Bird. My position takes me only to the platform and beyond that I have no knowledge.

By Mr. Dyde:

Q. Then is it fair to say this, Mr. Bird? The cost shown in exhibit 33 represents the entire cost to A & P to bake bread and place it on the platform of your wholesale house?—A. That is correct.

Q. Ready for delivery to the store?—A. Wrapped in cartons.

Q. The reason I mention that, Mr. Chairman, is that I think it gives us a better comparable figure with some of the other stores than if the figure had been given in another way. The last figure, Mr. Burdon, in the last column of exhibit 33, is 13 per cent, being the gross margin to selling price at February 13, 1948. Does that margin in your opinion constitute a reasonable margin for handling this product, Ann Page Bread?—A. It is not my position to say so, but my feeling is that it is.

Q. Your feeling is that it is?—A. Absolutely.

Q. I think it is perfectly fair of me to ask that question, Mr. Burdon, but I would also like you to tell the committee why you have that opinion?—A. I think any business that can operate on a 13 per cent gross profit will do all right.

Q. And does it compare with the margin on bread in the parent company in the United States?—A. I do not have the complete picture. I only have a certain section, the Atlantic seaboard figures with me, but the gross margin is a little bit better.

Q. Better where?—A. In Canada.

Mr. FLEMING: By better, do you mean higher?

The WITNESS: Yes.

By Mr. Johnston:

Q. By approximately how much?—A. 2 per cent. It is 11 per cent on the Atlantic seaboard.

Q. What would be the reason for that? Is it because they have greater volume there?—A. No, it is a matter of cost.

The CHAIRMAN: Just one at a time, we cannot have this triangular questioning.

The WITNESS: I had better amplify that. It is a matter of cost down there. A loaf of bread which we are able to produce here for $8\frac{3}{4}$ cents costs $16\frac{1}{4}$ cents in the States.

Mr. PINARD: The same quality bread?

The WITNESS: Absolutely.

Mr. FLEMING: Do you bake your own bread down there?

Mr. PINARD: Are we to understand counsel is finished?

The CHAIRMAN: I did ask Mr. Dyde if he wanted to be allowed to go on for a while alone.

Mr. DYDE: It does not worry me at all if members interject questions so long as they deal with the point on which we are working.

The CHAIRMAN: Mr. Dyde has a plan, naturally, and all the members of the committee will want to support that plan, but provided questions are directed to the particular issues which Mr. Dyde raises, they will be in order.

By Mr. Fleming:

Q. It was just the expression the witness used in an answer and I wonder if the witness will explain it? You said that any business that could operate on a 13 per cent gross margin was operating with satisfactory results?—A. Perhaps I should say the grocery business.

Q. That is what I want to get at. What kind of business are you talking about?—A. I would say the grocery business.

Q. Are you speaking of the grocery business in general or the chain store business?—A. I know independents that operate on 13 per cent gross margin—not in Canada you understand.

Q. I did not want to take you away from the question put by Mr. Dyde but I want to know what you had in mind when you said "any business"?—A. Probably the chain store business.

Mr. PINARD: When you mentioned 11 per cent in the States do you think it is reasonable?

Mr. WICKETT: We are not discussing the gross profit of the A & P company in the United States.

The CHAIRMAN: I think that is correct.

Mr. PINARD: My idea was just to have the witness give an opinion as far as a margin or profit of 11 per cent is concerned. In other words if the margin of profit in Canada was 11 per cent would you consider it satisfactory?

The WITNESS: I could answer your question this way. The cost is too high in the States but we are not permitted to go any higher on retail. Therefore we have to be satisfied with 11 per cent gross.

Mr. PINARD: I see.

The CHAIRMAN: All right, Mr. Dyde.

By Mr. Dyde:

Q. Mr. Burdon, I asked Mr. Bird a question with reference to inventories. You probably heard it. Are you familiar with the inventories?—A. Yes, sir. The bakery inventories you mean, Mr. Dyde?

Q. Yes, can you give the committee the inventories of flour that you had purchased at the old cost before the removal of subsidies on the 15th of September 1947?—A. On September 13 we had in Toronto 212,170 pounds; in Montreal—

Q. Yes, and—

Mr. LESAGE: Just a moment, we did not get that answer.

The WITNESS: In Montreal we had 40,433 pounds.

By Mr. Dyde:

Q. How much of that inventory had not been used before the price of bread was increased?—A. Would you repeat that for me now, I am not sure that I got it.

Q. How much of that inventory had not been used before the price was increased?—A. 228,152 pounds in Toronto.

Q. And in Montreal?—A. 50,938.

Mr. BEAUDRY: I did not quite follow there. Do I understand you to say in answer to Mr. Dyde's question that on September 13, before the prices were increased, and before controls were lifted, there was in Toronto 212,000 pounds in storage, and at a date subsequent to the lifting of controls you say there were 228,000 pounds not used.

Mr. DYDE: He and I are not quite understanding one another.

Mr. BEAUDRY: No.

By Mr. Dyde:

Q. You gave the figure of the inventory on September 13 and what I was trying to arrive at Mr. Burdon, was how much of that you still had on hand and not used when the price of bread was increased?—A. I cannot give you that figure. I can tell you we had flour rolling, flour in transit, bought at the low price and received between the 13th and the 20th, which explains why we had more at the low price on hand on September 20 than on the 13th. Do I make myself clear?

Q. Yes. The second set of figures you gave was as of September 20?—A. Of all the low priced flour.

Q. Of all flour of the same quality as the figures you gave us on September 13?—A. Of the same cost.

Mr. WINTERS: May we have the figures again?

The WITNESS: In Toronto, 228,152; in Montreal, 50,938.

By Mr. Dyde:

Q. Now am I right, Mr. Burdon, in referring to exhibit 33, in saying that the selling price of Anne Page (regular) went to 10 cents on the 22nd of September?

—A. That is correct.

Q. It had not gone to that figure prior to that date?—A. No, sir.

Q. So that the statement itself is at the 22nd of September? That means that is the date on which the change took place?—A. Correct.

Q. With reference to this exhibit, in all its columns does the same remark apply? For instance, does it apply to the columns December 1 and February 14?

—A. Correct.

Q. Whenever there is a change you have chosen that date, the date of the change?—A. It is the opening of business on that date.

Q. Yes, and you gave those figures of 212,107 on September 13 and the larger figure at September 20 for Toronto. Can you say to the committee what that represents in the way of production? How many loaves of bread does it represent? I might put it this way. How many days supply is it?—A. 7½ days.

Q. 7½ days?—A. Yes.

By Mr. Fleming:

Q. Is that over-all, or each day?—A. What is that?

Q. Is that the over-all requirement for 7½ days or on each store?—A. No that is the plant. All figures are plant figures.

Q. When I say each, I meant each factory.—A. The 7½ days supply applies to Toronto. The Montreal figure was not asked but it is 3¼ days supply.

Mr. DYDE: I was going to ask that but you have given it.

Mr. PINARD: In other words is it possible for you to give your weekly production in loaves in Montreal and Toronto

The WITNESS: Yes. I think I did compare them.

The CHAIRMAN: What is the question again?

Mr. PINARD: The quantity of loaves sold in Montreal and in Toronto weekly?

The WITNESS: Not separate by cities, as far as our bakeries are concerned. It is merely a matter of producing loaves and we do not care where they go.

Mr. PINARD: The week's production.

Mr. WINTERS: Of Montreal and Toronto.

The WITNESS: I do not have the weekly figure unless you were to give me a little time to figure it out. I can give you the four weeks of January. In the case of Anne Page (regular) we shipped in the four weeks of January, to all our stores, 508,311 loaves.

By Mr. Dyde:

Q. What period would that cover?—A. That would be for four weeks in January, the weeks ending January 10, 17, 24 and 31.

Mr. LESAGE: Is that for Toronto and Montreal?—A. Toronto and Montreal.

By Mr. Beaudry:

Q. Do you bake any in Ottawa?—A. No.

Q. You supply the Ottawa stores from Montreal, do you?—A. Right.

By Mr. Pinard:

Q. Would it be safe to say that that is the total Canadian production for that period?—A. The answer I just gave you is on just that one type of loaf.

Q. Anne Page?—A. The 24-ounce, wrapped, unsliced.

The CHAIRMAN: The steering committee will meet at 3.15. The meeting stands adjourned until 4 o'clock.

AFTERNOON SESSION

—The committee resumed at 4 o'clock p.m. Mr. Maybank, Vice-Chairman, presided.

The VICE-CHAIRMAN: Order, gentlemen. We will resume the sittings of the committee. Mr. Dyde, are you ready to proceed?

Mr. IRVINE: Mr. Chairman, before Mr. Dyde begins to question the witness I would like to ask you, sir, if it is the intention of the chair to make a report from the steering committee in respect to commercial rentals? I just remind you that on February 17 the Chairman stated in reply to Mr. Fleming that the matter would be considered on the week-end of February 21. Then nothing was done and on Friday last I raised the matter and was assured by the Chairman that a report would be made on Monday. Now, this is Tuesday afternoon. I think I am not unreasonable, sir, in asking that the report be made, and if it is not the intention to make a report I think I shall have to move that the matter be taken out of the hands of the steering committee.

The VICE-CHAIRMAN: And refer it to the main committee?

Mr. IRVINE: Yes.

The VICE-CHAIRMAN: The situation with respect to that is that the steering committee has been considering that matter both morning and afternoon and just before coming in here it was agreed that two of the members should make some further investigation on certain points the steering committee wanted and would come back to the next meeting of the steering committee which is expected to be at 10.30 o'clock tomorrow, and that would result in the steering committee coming to the main committee as to what report should be made. It has been the subject of discussion at each meeting of the subcommittee and indeed it has practically monopolized the time of the steering committee.

Now, Mr. Dyde, did you have some questions to ask Mr. Burdon?

Paul Park Burdon, Cost Examiner, Atlantic and Pacific Tea Company Limited recalled:

By Mr. Dyde:

Q. Yes, Mr. Chairman, I have one or two questions which I would like to direct at Mr. Burdon. At adjournment, Mr. Burdon, you were giving some production figures and you supplied the committee with a figure of 508,311, I think?

—A. Yes.

Q. I think you wanted to add to that answer?—A. That was only our Ann Page loaf. The Vita-B loaf which we also make in a wrapped, unsliced loaf, white bread, 383,435. That would be for the four weeks in January.

Q. And these two figures make up what percentage of your bread sales?—A. About 65 per cent, sir.

Q. Now, I think I am correct, Mr. Burdon, that you have listened to a great deal of the evidence which has been given to the committee on previous days, and I would like you to answer this question, if you can. I am referring to Exhibit 33, and to the statement from that row of figures which is headed, "Gross margin per loaf before deducting cost of transportation to store or selling cost"; and we also have an exhibit which was filed by Mr. Squair of Dominion Stores, Exhibit 20, and the same phrase is used on that exhibit—perhaps not exactly the same phrase but in the same place—the phrase is, "gross margin before deducting warehousing and selling expense"; and in Exhibit 19 the same phrase or a similar phrase is used, "gross margin before deducting warehousing or selling cost"; and there was additional evidence given by both Mr. Meech and Mr. Squair which I think you heard; and I was wondering whether you could tell me after having heard that evidence whether the figure on your Exhibit 33 is more closely comparable to one or the other of the other two exhibits?—A. It would be more common, more closely comparable to Dominion Stores rather than to Loblaw's.

Q. Thank you. Now, would you also look in Exhibit 33 on the second line there are figures, the cost price per loaf f.o.b. bakery platform; does that include any profit in the bakeshop on the manufacture of the bread?—A. The answer would be no.

Mr. HOMUTH: I think you will have to ask the question whether or not they sell bread to these stores at absolute cost.

Mr. DYDE: Did you hear that, Mr. Burdon?

The WITNESS: I do not think his voice is much better than mine.

Mr. HOMUTH: Well, I can make it a lot better.

Mr. IRVINE: Don't tempt him.

Mr. HOMUTH: I was speaking to counsel instead of to you.

The WITNESS: I'm sorry. The answer is that there is no profit; or, should I say there is no element of profit in those costs.

By Mr. Dyde:

Q. Also looking at Exhibit 33, Mr. Burdon, I note that in Anne Page regular bread your gross margin has increased from .63 cents at September 1 to 1.31 cents on February 14, and has also increased as a percentage to selling price are you able to explain the reason for the increase, both the actual increase and the percentage increase?—A. Yes, I can explain that. At the period September 22, when we advanced to a 10-cent retail we picked up—the sale increased with an improvement in the gross profit return there. At the period beyond that point that would be entirely due to increased production which lowered the percentage of fixed charges which must be absorbed on each loaf of bread.

Mr. DYDE: Mr. Chairman, I propose now to start my questioning of Mr. Burdon but I have one small remark which I have been asked to make b

Mr. Wickett who is here with us. It is really a reminder to the committee to help them in questioning. Mr. Burdon is the cost accountant and is able to answer the questions on cost. In relation to matters of general policy or store operation Mr. Bird will be back on the stand again shortly.

By Mr. Homuth:

Q. I have just one or two questions I wanted to ask, Mr. Chairman; it refers to the question about the selling price from the bakery to the store; you say there is no element of profit in your bakery?—A. That is correct.

Q. As your costs go up in the bakery as they may do from month to month, do you charge that up against your cost to the store?—A. I will make one correction there, on a quarterly basis.

Q. On a quarterly basis?—A. That is correct.

Q. Then it is up to the store managers or the organization that sets prices for retail or the retail price to fix their prices according to what the cost is at the bakery plant?—A. Well, I can answer that by saying my position is cost accountant, I do not care what the retailers do. I tell them what the cost is. What they sell it for I don't care.

(Hon. Mr. Martin resumed the Chair.)

Mr. HOMUTH: I just wanted to clear that up.

By Mr. Beaudry:

Q. Would you be good enough to tell the committee what elements go into making up the cost say as at September 1? I assume the same elements went in to establishing the costs at the 1st of September, the 22nd of September, the 1st of December and the 14th of February?—A. I could tell you what elements went in there but not what the costs are.

Q. Would you please first tell us what the elements are?—A. Raw materials, wrapping supplies, direct labour, overhead and total.

Q. Would you be in a position to break down the items under overhead?—A. Not into their component cost factors.

Q. No, but could you just indicate to us what the elements are?—A. What the elements are which make up overhead?

Q. Yes?—A. Rent, heat, light, power, supervising salaries, taxes, payroll taxes—you could add sickness salaries, vacation salaries—there are about 35 or 40 items altogether.

Q. In overhead you include administrative salaries; or, do you have special administrative salaries for bakery operation?—A. We call them supervisory salaries. Would that be what you mean?

Q. Yes?—A. Yes.

Q. Those are costs which are applicable to your bakery operation, they do not enter into any other phase of your business?—A. There is the direct labour item.

Q. No; as to warehousing, trucks and so on.—A. If they pertain to baking they are charged to baking.

Q. That would include straight salaries of what you might call the clerical staff doing work for the bakery only?—A. That is right. It would include your plant superintendent and his assistant, your department foremen who are paid on a straight salary basis not an hourly basis, and your clerical staff.

Q. Is your accountancy cost figured separately or do you have a separate staff for the bakery part of your industry?—A. Yes.

Q. So that all your accounting is chargeable directly to the bakery operation and not part of it to the general A & P operation?—A. It is charged to the bakery.

Q. I am asking this question, which is personal, more by way of obtaining an explanation; you, for instance, are working on both the bakery and the general A & P industry?—A. No.

Q. You are directly concerned with the bakery end of it?—A. That is right.

Q. I take it that depreciation enters into your costs?—A. That is an element of overhead I neglected to mention; I am sorry.

Q. Depreciation on equipment?—A. Equipment.

Q. Any depreciation on the building or is it a rented building?—A. That would be charged through what we call a general building account and that would be pro rated.

Q. Equipment repairs?—A. They are a direct charge to expense.

Q. Also chargeable directly to the bakery?—A. That is right.

Q. We have already settled the accountancy, bookkeeping. How long have you operated your bakery or bakeries?—A. In Canada?

Q. Yes.—A. Montreal started, I believe, in September, 1929, and Toronto about November, 1929. The year is right but I am not sure of the month.

Q. Was that the year the A & P started operating in Canada or was it some time later?—A. I am sorry I do not know. Mr. Bird could answer that for you.

Q. The equipment you now have is nineteen years old or at least part of it, I assume, unless it has been replaced in the meantime?—A. There may be some of the original equipment, but it wears out you know.

Q. I appreciate that. This explanation may help you in making answers to my questions; I am trying to arrive at the average life of bakery equipment?—A. I cannot answer that, I am sorry. I know that the rate of depreciation is based on your Canadian tax laws.

Q. What is the rate of depreciation. Is it the same on all equipment. I mean bakery equipment?—A. I cannot answer that.

Mr. HOMUTH: I think we ought to clear that up, Mr. Beaudry. Mr. Chairman, would there be any special depreciation on bakery equipment as against equipment in another industry?

Mr. BEAUDRY: It would depend on the normal life of the equipment.

Mr. WICKETT: That is laid down by the income tax department.

The WITNESS: That would be very easy to get if you want it. Would you like to have it, sir?

Mr. BEAUDRY: No, I do not think so.

The WITNESS: I think it varies with the type of equipment. For example a motor has a five year life, while a bigger piece of equipment might have a ten year life. The schedule of rates would be based on your tax department table.

By Mr. Beaudry:

Q. You have suggested, by inference, you do sell other brands of bread in your stores, or are you concerned with that? Do you sell any other kinds of bread than the Anne Page or would you prefer not to answer that?—A. From personal knowledge I know that we do, but Mr. Bird could answer that. He has the information.

Q. In your capacity, would you know who supplies that bread, from whom you purchase it?—A. I know, but I think you should ask Mr. Bird about that.

Q. Would you be qualified to say at what price you buy and how you arrive at the bargaining, if you want to call it that, or would that be more strictly within Mr. Bird's sphere?—A. He has all that information at his fingertips. I am sure.

By Mr. Johnston:

Q. I should like to ask the witness a question based on Exhibit 20. I do not know whether he has it before him or not. Your company's margin, before

deducting warehousing and selling costs, I think you said, was more nearly comparable to the Richmello brand of bread than any of the others?—A. I would feel that was so.

Q. If you refer back to your own cost margin of a loaf of bread, before deducting the cost of transportation and selling cost, there is a marked similarity, is there not? Yet, I think you told us you made no profit on it, but the baking company which supplies the Dominion Stores must make a profit on theirs? How do you account for the similarity in price, yet the one bakery makes a profit and you do not?—A. I have no knowledge as to how the Richmello figures are arrived at. I am sorry. I know what goes into mine, but I do not know what goes into theirs.

Q. I think it would be fair to say no bakery could sell without a profit. It could not carry on very well.—A. That is quite true.

Q. I think that would be fair. However, you indicate that those two columns are roughly similar, your cost price and their cost price, and that is indicated by the report itself?—A. It is also indicated in the statement as to how the cost is arrived at.

Q. I do not know what you mean by that.—A. Exhibit 20, the interpretation I put on the way they arrived at their cost was as closely allied to ours as I could find. It was not in the Loblaw case.

Q. Do you infer from that that the figure in Exhibit 20 would not include a profit?

Mr. HOMUTH: He cannot say that.

The WITNESS: You are not asking me to do that, are you?

Mr. JOHNSTON: I am just following up your statement. You said those two figures were very nearly the same and I would assume that in Exhibit 20, the lines to which we are referring, would include a profit. I do not expect you to answer that, but I think from business experience you would say, the same as I or anyone else would, that that would include a profit. Yet, you say your figures do not include a profit, you were selling at cost.

The WITNESS: Do you want me to confirm that again?

Mr. JOHNSTON: No, I do not think you need to confirm it again, but I should like to draw that to the attention of the committee.

Mr. LESAGE: There may be a difference in the quality of the bread.

Mr. JOHNSTON: We can come back to that when we get another technical witness.

Mr. HOMUTH: Mr. Chairman, I do not think we ought to ask the present witness as to whether or not someone who is making bread in some other bake shop and selling it to someone else is making a profit or not. How would we know? He knows nothing about it.

Mr. JOHNSTON: The point is, though, that I am not following the line Mr. Homuth suggests at all. I am just pointing out the fact that the witness did say the two lines were comparable or very similar, is, perhaps, a better term.

Mr. HOMUTH: He said it was nearest to theirs.

Mr. JOHNSTON: In the one case, obviously, it does include a profit and in the other the witness has stated it does not include a profit.

Mr. BEAUDRY: I think we should ask the producer who makes that bread whether he makes a profit or not.

Mr. JOHNSTON: I suggest to you, Mr. Chairman, we will have to check that up when Christie's Bakeries appear.

By Mr. Beaudry:

Q. Does your bakery manufacture other products than bread?—A. Yes.

Q. Cakes, sweet goods and such?—A. Cakes, sweet goods and doughnuts.

Q. What volume of your bakery production is bread and what is other goods?—A. Would you like this on a pound basis or on a retail basis.

Q. Could I have it on a pound basis first?—A. At the present time our production of white bread is 66 per cent of the total.

By Mr. Homuth:

Q. That is in pounds?—A. Yes, in pounds.

By Mr. Beaudry:

Q. Could you subdivide it, then, as between cakes?—A. That is white bread?

Q. Could you subdivide the remainder of your 34 per cent between cakes, doughnuts—I do not know whether cakes are included in the word "sweet goods" or not?—A. I can break that down for you, sir. There is 66 per cent in white bread; 17 per cent in what we call variety breads, which would be whole wheat, cracked wheat, raisin and rye; two-tenths of one per cent in rolls; about three-tenths of one per cent in what we call sweet yeast which would be coffee cake and items of that sort. We call them sweet yeast goods.

By Mr. Homuth:

Q. The things you dunk?—A. Yes.

By Mr. Beaudry:

Q. Unless the committee desires it, I would not want it broken down that finely?—A. Doughnuts are about four per cent of the total and fruit cakes and other cakes would be about 13 per cent. I may be off about a point or two, but that should add up to about a 100 per cent.

Q. Your bread portion, whether it includes white bread or special bread, would run about 83 per cent?—A. Yes.

Q. And the remainder to about 17 per cent?—A. Right.

Q. I am having a little difficulty phrasing this question. Would you give me the gross margin as between the cost and retail selling price, let us say, of cakes or of one or two varieties of cakes if you have too many, and of doughnuts?—A. Just wait a moment, sir, and I will.

The CHAIRMAN: I think Mr. Bird can give us that information.

Mr. DYDE: Mr. Bird has some figures on that for which I was going to ask.

Mr. BEAUDRY: Could I get then the cost from Mr. Burdon and the selling price from Mr. Bird and arrive at a margin or would Mr. Bird prefer to do it all?

The WITNESS: When you say, "cost" what do you mean? I can give you the gross profit rate. Is that what you are after?

Mr. BEAUDRY: I should like to have a method of comparison for cakes similar to the method of comparison for bread which we have. On the one hand, we have the selling price per loaf and on the other the cost price per loaf for your company, f.o.b. bakery platform. Then, we could establish a gross margin percentage.

The WITNESS: You could not do that. There are too many varieties.

By Mr. Beaudry:

Q. Could we limit it to two or three varieties, taking the extremes, the lowest, highest and the medium?—A. That could be done, but I do not have the information with me.

Q. Would you be able to supply it at a later date?

Mr. CLEAVER: As I understand it, all the figures which the present witness has are as to the cost of these articles, including cakes, which are turned over to the store at cost. He does not know the selling price.

By Mr. Beaudry:

Q. I am only trying to find out the cost. I can arrive at the selling price by asking Mr. Bird?—A. The information I was asked to prepare and bring with me concerned bread.

Q. Would it be very difficult to compile the information on cakes, let us say for three types of cakes, using the extremes of high, low and medium as examples?—A. Well, it would take quite a lot of work to do that. Would you be satisfied to know the over-all gross profit margin on cake is about 16 per cent?

Mr. IRVINE: 16 per cent on what basis?

Mr. CLEAVER: Over all.

By Mr. Irvine:

Q. On sales?—A. Yes, sir.

The CHAIRMAN: I was wondering whether the order of our questioning is correct. We have before us a table, Exhibit No. 33, which has some very interesting information in it. It shows that as of February 14, 1948, they have a bread at 10 cents with a 13 per cent margin. This committee has been told that 14 cents is a warranted price at the present time. What we are anxious to find out is whether or not the price of bread is too high. It seems to me there is a line of questioning which we could pursue and which I think we ought to pursue at the outset, in respect to that.

For instance, I should like to know from Mr. Bird whether he considers this bread which he sells at 10 cents is just as good nutritionally, as the bread which is sold at 14 cents?

Mr. FLEMING: Excuse me, Mr. Chairman, I thought we were dealing with this witness.

The CHAIRMAN: I know, I was just suggesting to this committee that I felt our questions ought to be based on this exhibit. I thought that was the plan of counsel from which we were suddenly diverted.

Mr. CLEAVER: Before we switch to a new witness, I have a few questions I should like to ask the present witness along this line—if this is not the proper time, I will wait—but the line I intended to follow was, as to this bakery the increase has only been $2\frac{1}{2}$ cents a loaf, yet the profit factor has doubled.

The CHAIRMAN: All right, Mr. Fleming, I was just suggesting a line of action to the committee.

By Mr. Fleming:

Q. You stated, Mr. Burdon, and I am referring now to Exhibit 33, that mark-up of 13 per cent on your Anne Page regular loaf as of February 14, was a satisfactory mark-up for a company which is engaged in the food business on a chain store basis?—A. Yes.

Q. You were not always making that same mark-up on the same loaf. On September 1, your gross margin to selling price was 8.4 per cent. Do you regard that as satisfactory?—A. I know that the costs were satisfactory at 6.87.

Q. Your answer this morning was with regard to the 13 per cent gross margin to selling price. You said that was satisfactory to a company engaged in the chain store business of handling food. Now, I ask you if the 8.4 per cent gross margin to selling price at September 1 was satisfactory?—A. Well, as I told you before this morning, I am stepping out of my class when I tell you that 13 per cent was a satisfactory margin. We could have a 12 per cent expense rate on the operation. If you had an 8.4 gross margin and a 7.4 expense rate and you had 10 per cent, you are still sitting pretty. I do not figure those things. Those are off the record remarks.

Q. You made the remark this morning which is on the record. Now, you did not qualify your remark when you made it. There was no hesitation in your making that remark.—A. I thought I did qualify that remark.

Q. When you were asked the question, I do not recall you qualifying your ability to answer the question.

Mr. PINARD: He gave some explanation of that.

Mr. MACINNIS: I think that was a matter of opinion and we should not hold the witness down to it.

By Mr. Fleming:

Q. You offered a personal opinion on the 13 per cent, then will you offer a personal opinion as to the 8·4 per cent?—A. If it were my own business, I would want much more.

Q. What about the 12 per cent which prevailed after the price had been raised on September 22?—A. This, again, is my own business?

Q. You answer the question. If you want to qualify your answer, we will have to judge the qualification when we hear it.—A. You do understand I am not qualified to speak for the company because I deal only with the bakery end of the business. Is that clear?

Q. We are only dealing with bread, and we are dealing with the mark-up on bread?—A. My only job is to see that bread costs are correctly compiled; that they represent the true cost of the entire bakery operation; that they bear their share of the indirect labour, overhead, supervisory salaries, administrative expenses, everything that goes into it. Is that clear?

Q. Yes.—A. If it were my own business I think I would rather have higher than 12 per cent, sir.

Q. Then, obviously, as to the 10 per cent which prevailed on September 1, you would not consider that adequate? I suppose that follows?

Mr. CLEAVER: I doubt if the witness, who has so clearly shown his position, is competent to answer that.

The CHAIRMAN: I think he has given us what he can.

Mr. FLEMING: I am just starting a line of questioning which, if I may, I should like to continue.

The WITNESS: I would have to have a lot more knowledge about what kind of gross margin we were getting on our entire grocery line, our meats, fresh fruits and vegetables, such things as that, on which I have no knowledge right now.

By Mr. Fleming:

Q. All right. The difference between the margin as of February 14 and the margin on December 1, is not attributable to any increase in the selling price in your stores. It is attributable to a decrease in the cost price per loaf f.o.b. bakery platform from 9 cents per loaf at December 1, to 8·7 cents on February 14?—A. Correct.

Q. How did you bring about that decrease in cost price?—A. Increased production and the decrease in overhead, I suppose.

Q. Was there any decrease in the price you were paying for your ingredients, or any other thing which entered into the cost of production or was it simply a case of spreading the same costs over a bigger volume?—A. That would be my answer right now without going back and examining the stock ledger. I do not know to what extent ingredient costs increased, but, at the moment, I would say it was partly due to increased production.

By Mr. Lesage:

Q. Was there not a decrease in the price of flour?—A. There was a decrease. I do not know whether it took place between December 1 and February 14. There has been a steady decrease.

Mr. FLEMING: If it is not too much trouble, perhaps you could look into that and see if there is any qualification you wish to make to that answer.

The WITNESS: Will this satisfy you, Mr. Fleming? On December the 8th, which is the closest I have to December 1, the price of flour was \$7.45 a barrel. On February 5, the closest I have to February 14, it was \$6.95 a barrel.

By Mr. Fleming:

Q. Well it looks as though the advance in price of your flour has something at least to do with the increase in your percentage of gross margin to selling price between December 1 and February 14?—A. I would have to convert that to a per loaf price before answering. I do know we were able to scale our price down as a result of the increased production.

Q. Would it be much effort to do that?—A. No.

Q. Thank you. Now you have given us figures on the volume for the four weeks ending January 31, Mr. Burdon?—A. Yes.

Q. The figures as I have them are 508,311 loaves of the Anne Page variety and 383,435 of the Vita-B variety?—A. Yes.

Q. In round figures 900,000 loaves?—A. Yes.

Q. You indicated that is 65 per cent of your total output of bread for the four weeks period?—A. Pardon me, 65 per cent of our total bakery production.

Q. Oh, pardon me, that is not loaves of bread. What percentage of total bread production does that represent?—A. 64.93 per cent.

Q. Of the total bread production?—A. Pardon me? It is almost 90 per cent sir, although I have not got the exact figures.

Q. About 90 per cent. Then just in round figures your production for the four weeks ran about 1,000,000 loaves?—A. 1,113,757 if you include the sandwich bread and the 16-ounce loaf in Quebec.

Q. Have you got comparable figures for the period prior to decontrol in September?—A. Not with me sir, but I can get them.

Q. Can you get those? I wish you would. By the way how do you keep the figures, on a weekly basis for the volume of bread sold and produced? Is that a weekly basis?—A. No, we do not usually do it week in and week out but I work up the figures as we go along.

Q. Have you figures here to give us comparable to those for that period ending January 31?—A. It takes a little working out but I can get it.

Q. I do not want to impose any unnecessary work but can you give us enough to help us on this point, that is to show whether the increase in price of bread had anything to do with the decrease in consumption?—A. I can answer that right now.

Q. All right.—A. Our consumption has gone up. You mean on a pound basis?

Q. Yes?—A. The consumption is definitely up.

Q. Since decontrol in September. Now can you give the percentage on that?—A. No. I can give you some yearly figures on the consumption of loaves. Would that be of any benefit?

Q. I would be interested if they are reasonably recent.—A. Yes. I can give you that on a pound basis but you would have to divide this by 1.5 to put it on a loaf basis.

Q. I do not think it will matter very much. It will give us the trend?—A. Well now the period just prior to control would be—

Q. Decontrol?—A. Decontrol. That would be June, July and August.

Q. That takes us up to the middle of September?—A. In the month of June production was 1,282,933 pounds; in July, 1,075,645; August, 1,059,701. May I make a brief explanation here. Our month of June contained five weeks. Really we divide our accounting period into four weeks, in order to hit off with the

calendar, and the first part of every period has five weeks to the month, so the month of June has five weeks. After the subsidies were removed the first month is September and the figure in pounds is 1,583,868.

Q. Four weeks or five?—A. Five weeks.

Q. That would be half under control and half under decontrol?—A. Right. The month of October 1,772,748 pounds.

Q. Yes?—A. The month of November 1,706,507 pounds.

Q. December?—A. December was 1,992,287, a five-week period.

Q. And the next one is January, 1,113,—

Mr. PINARD: Where do you get that?

By Mr. Fleming:

Q. The earlier one you gave me was— —A. No, that is in loaves. In pounds for the month of January the figure was 1,666,164.

Q. Have you the February figures yet?—A. No, sir.

Q. January was four weeks was it?—A. Yes, that is right.

Q. So on a weekly basis January was a trifle higher even than December?—A. No, no sir. Wait a minute, you divide one period by four—

Q. If you break the December figure down, divide it by 5, and divide the January figure by 4, I think you will find the January weekly rate was higher than December.

Mr. WINTERS: That is right.

The CHAIRMAN: This is all after decontrol.

By Mr. Fleming:

Q. Now you have only one price on all breads is that right?—A. You mean retail or cost?

Q. Yes, retail.—A. Retail? I think so, except at the distant points and you had better refer that to Mr. Bird as he sets the retail.

Q. Have you made a study at any time as to the elements of tax in your cost of production?—A. No, sir.

Q. Has anybody in your organization made such a study?—A. I would not think so. It would be a very terrific task to try and allocate tax to 2,500 items that we carry. That is usually considered to be an administrative expense.

Q. Everything about tax is terrific, we will agree there, but you have not anyone who has made that study?—A. Not that I know of.

The CHAIRMAN: The status of yourself and the witness is different.

Mr. FLEMING: I am sorry? I did not hear that, Mr. Chairman?

The CHAIRMAN: You did observe there might be a difference of opinion.

Mr. FLEMING: I did not say anything about a difference of opinion. He said it would be a terrific job and I just said everything about taxes is terrific.

Mr. MACINNIS: That is the same line.

Mr. FLEMING: You say you take care of taxes under administrative expenses?

The WITNESS: That is an item of administrative expense?

Mr. MACINNIS: Government administration?

By Mr. Fleming:

Q. Have you any figures on that at all?—A. Not within my knowledge.

Q. The taxes you take into administrative costs are I presume, corporate taxes?—A. Perhaps when I said administration, you interpreted me to mean bakery administrative costs?

Q. Yes.—A. If so I will have to correct that. It is total expense and not departmental.

Q. What kind of taxes are you dealing with, what we would call corporate taxes?—A. Well I am not familiar with what taxes are assessed in Canada but speaking for the States, personally, there is property tax and we have machinery tax.

Q. If you are giving information about the United States it would not be of help. Is there anybody in your organization that has that information?—A. Perhaps I can clear it up. Anything beyond income tax would be charged directly to the department affected. Does that clarify it?

Q. Does that mean you have figures indicating the element of tax charged to the baking and production of bread?—A. The overhead figures mentioned a while ago in response to another gentleman's question would include all the taxes but income tax, as you call them in Canada, and the excess—

Q. Have you a breakdown of the figures or is there one available?—A. I have not that with me but there is a breakdown.

Q. Can you get that for us? Now one other thing. On the statement exhibit No. 33 headed Toronto and Montreal, do these same prices, the prices indicated as the selling price per loaf, prevail in Ottawa?—A. I can answer yes, but it is outside of my province, sir.

Q. Dealing with the subject of cost, which is in your province, you referred to the method of transportation from the bakery platform. How do the loaves get from the bakery platform, presumably in Montreal, to Ottawa?—A. By truck.

Q. That is done by truck? Is that a company owned truck?—A. Mr. Bird will answer that.

Q. Mr. Bird has that information?—A. Yes.

Q. Has Mr. Bird got the figure as to cost allowed for that transportation?

Mr. WICKETT: No sir, no person has that but, of course, I am not a witness. If any person could answer the question though Mr. Bird is the one.

Mr. FLEMING: It is the figure of cost in that operation that I am after at the moment. If you tell me Mr. Bird can answer that better than Mr. Burton I will leave it.

Mr. CLEAVER: On manufacture costs Mr. Burdon is an expert.

Mr. IRVINE: He is through when it gets to the platform.

By Mr. Cleaver:

Q. Mr. Burdon, our committee has heard a lot about increased flour costs and other costs that have occurred since the 1st of September. Now referring to your statement, exhibit No. 33, am I correct in reading from that that you have simply taken a retail mark-up of $2\frac{1}{2}$ cents a loaf?—A. Mr. Cleaver, I have nothing at all to do with the retail mark-up.

Q. I am referring to exhibit 33 and you have it before you?—A. It would appear to be that, yes.

Q. Notwithstanding the fact you have only taken a mark-up of $2\frac{1}{2}$ cents a loaf your gross margin of profit has doubled. That is to say it has moved from .63 cents a loaf to 1.3 cents a loaf—A. In cents.

Q. In cents. Can you give the committee a breakdown between the cost of the material content of the loaf and all other costs including labour, administration, and overhead?—A. I believe I can if you will just be patient.

Q. I will be patient. I would prefer to have this as of September 1, 1947 and February 14, 1948 or thereabouts.—A. No I have not got that, sir. I have a cost based on the 9 cents cost at December 1 and our cost is at the latter part of the quarter.

Q. That will be fine.—A. Raw material cost at the present time, and you are including tolerance allowance, that is shrinkage—

Q. This is at what date?—A. December 1.

Q. Yes?—A. 5·92.

Q. And that includes flour and other material cost content of all things in it?—A. Flour, lard, sugar, milk, and every raw material that goes into it.

Q. Including the wrapper?—A. No, the wrapper is the next item.

Q. All right.—A. The wrapper is ·40. Direct labour is ·70. The overhead is 1·30. That gives you a manufactured cost at that point of 8·62.

Q. Would you mind calling those figures back again because I do not add them up?—A. Oh, well wait until I check my own figures, Mr. Cleaver. They do not add up to 8·32. Well, I am sorry sir, I will have to go back and have that questioned.

Q. Right. Well would you give a comparable breakdown as to August?—A. Yes, that is our second quarter. The cost of raw materials including shrinkage allowance would be 4·23.

Q. Yes.—A. Wrapping supplies would be ·43.

Q. Yes.—A. Your labour would be ·74.

Q. Yes.—A. Your overhead 1·49. Now if we have not made a mistake that should all add to 6·89 and I believe it does.

Q. Yes.—A. Now handling and delivery, which were left out of both figures—that is not delivery to the stores but it is the putting of it in packages and putting it on the platform and on the truck—is ·40.

Q. I should add ·40 to both?—A. In both cases, right. Now there is some error in the present cost because 9 is the total cost.

Q. We have already had some evidence of the percentage of increase of direct labour, and the weight to be given to that is the percentage which ·74 bears to the total cost of the loaf as far as your firm is concerned?—A. That is right.

Q. Thank you.

Mr. IRVINE: Labour is ·30 more than the wrapper.

The WITNESS: That is right.

By Mr. Johnston:

Q. Mr. Chairman, I am just curious about one thing on this sheet. I notice, regarding Anne Page bread, that the cost per loaf is 6·87. Then Anne Page Vita-B is 6·86. How do you account for that difference in cost there?—A. Probably it would depend on the operator and how far she pointed it off on the machine.

Q. Is there difference in the cost of Vita-B?—A. None at all.

Q. I notice it is only true in the first column and then it is the same all the way through?

The CHAIRMAN: It is a mistake in typing.

The WITNESS: No, it is a matter of how far the girl pointed it off on the machine.

By Mr. Johnston:

Q. It is absolutely no different except that— —A. One has exactly the same poundage of flour, etc., but it is a different type of loaf.

Q. The flour costs the same?—A. Absolutely.

By Mr. Beaudry:

Q. In following Mr. Irvine's question would you be able to tell how much of that ·70 for labour goes into that ·40 of wrapping?—A. None, sir.

Q. It is wrapped automatically?—A. No, the wrapping labour applies to wrapping. Each classification is selected and established and, in the case of the wrapper, there is the printing press and the labour and material actually involved.

Q. What element or type of labour would that .70 apply to?—A. That is direct labour necessary to produce a loaf of bread. It does not include any supervisory salaries, administration, or anything like that.

Mr. MACINNIS: Mr. Burdon, in your overhead of 1.30 you include supervisory salaries. How much of that 1.30 would be represented by supervisory salaries, do you know?

The WITNESS: I haven't got the exact figures. I would say about 5 per cent. It is a very low item in comparison to your rent, heat, light, power, taxes and everything else; supervisory comes down very low.

By Mr. Lesage:

Q. I would like to ask Mr. Burdon if he will look at Exhibit 29, to wrapping cost.—A. You mean to the column which reads, "normal wrapping cost, 24-ounce loaf at various states"—that is what you have in mind?

Q. Yes?—A. O.K.

Q. You are interested in this I suppose?—A. Very much.

Q. Would you tell the committee what you think of it compared with the breakdown of costs which you have just given the committee?—A. Well, it is not of much value to me unless I can go back and break down our figures on the same basis.

The CHAIRMAN: What was that answer? I could not hear what you said.

The WITNESS: It is not of much value to me right now because it is prepared on a different basis from my figures. Unless I can sit down and work my own out on a similar basis it is not of very much use to me.

By Mr. Lesage:

Q. You did not do it that way?—A. No.

Q. You just have part of it in your calculations. Take for instance this figure of 5.987 in the last column there, which would be the total cost per loaf of ingredients and wrappers as at February 17.—A. That compares with the figures which I just quoted here; as near as I can judge from this Exhibit 29, that includes I think raw material and wrapping paper cost.

Q. Yes, that is what I understood from Mr. MacDonald.—A. The figures I have quoted here would be subject to the .30, of course.

Q. Yes.—A. The best proof of that would be 632, that is 592 raw material plus 30 points for the other, making it 632.

Q. Your cost would be a little higher?—A. That is right.

Mr. CLEAVER: I understand this exhibit to which you are referring. Mr. Lesage, is simply the cost of the material content?

Mr. LESAGE: Yes.

Mr. CLEAVER: This witness is including the costs of all these other items.

Mr. LESAGE: No, he broke it down to material content. That is what I am interested in.

Mr. CLEAVER: He said that 5.920 is the cost at the platform.

The WITNESS: Including the wrapper.

Mr. LESAGE: Including the wrapper, this one includes the wrapper. It would be about the same, because it would be 550 here and 5.35 plus .15—5.50; and yours is 5.92. Would it be correct to say that the difference in cost would be the difference in the formula or the difference in the quality, say?

The WITNESS: Which comes first? I could put in a good commercial here by saying that ours is the better bread.

Mr. LESAGE: That would be the reason for the rise in cost?

The WITNESS: Without knowing their exact formula I do not think I could answer that question.

Mr. FLEMING: Have you ever eaten their bread?

The WITNESS: No.

Mr. FLEMING: Then, how do you know which is better?

The WITNESS: The only bread I have eaten in Canada has been at restaurants and I would not be able to identify the bread there.

By the Chairman:

Q. Do I understand—it is hard to hear you down here—that your reply to Mr. Lesage was that your costs are higher than the comparative figures you have before you?—A. Right.

Q. And still you sell your loaf at 10 cents?—A. The cost I quoted to Mr. Lesage was the raw material and wrapping supplies. That does not have any bearing on our total, because we might be able to make sufficient in other ways so that we could sell it at retail for 10 cents.

Q. Could you say anything now about the total cost as compared with the table you have before you?—A. No, the figures are not the same. Ours includes labour and overhead.

Mr. LESAGE: This Exhibit 29 does not include labour and overhead, apparently; or the ingredients and wrapper. As far as the ingredients and wrapper is concerned it costs you a little more to produce than the figures which are shown on Exhibit 29.

The WITNESS: Our 33 to their 29.

By Mr. Winters:

Q. I believe I understood the witness to say this morning that there was a change in formula somewhere along the line which resulted in an increase in cost of approximately 1 cent per loaf?—A. .8 cent, to be exact.

Q. So that your entire increase between your December figure and the cost figures would not be in the case of the ingredients more than approximately 1 cent, that would be attributable to this change in formula?—A. Correct.

The CHAIRMAN: This is a very important matter because this company is selling bread at 10 cents. I was wondering if we should not get a picture of the actual cost and put our own men in there. I think we ought to consider what we are going to do about that and see whether or not we should send our own accountants in. What has counsel in mind in that regard?

Mr. DYDE: I believe the very proper and satisfactory way would be to send an accountant into that plant. I think that this is coming down to the prime point as to direct cost. That would be the only solution.

The VICE-CHAIRMAN: I think we have reached the stage where perhaps even while these witnesses are going on we should take those very steps.

Mr. MACINNIS: Perhaps that should be done, Mr. Chairman, but I do not think you are comparing on a comparable basis. The business done by the A & P Bakery is not necessarily comparable to the business done by General Bakeries.

Mr. WINTERS: There is a surprising thing to me, and that is that the figures just now supplied by the witness show 8.32, subject to the .33 added; basic cost 6.89 raw material; wrapper, labour and overhead of 1.43. If we assume that figure of 8.32 as being correct, and assuming too that approximately 1 cent of that is attributable to a change in formula and not to an increase in the cost of ingredients, it means only approximately .43 or .5 cents per loaf is attributable to the increased cost of ingredients, half a cent a loaf.

Mr. LESAGE: Would you comment on what Mr. Winters has just said?

The WITNESS: I do not have the exact breakdown of August 30, the figures according to the market price then, but the figures I did compile show the

difference between our present formula and what we were working on under a shortage of raw materials of the type that we wanted to use; so, as Mr. Bird testified this morning, our increase due particularly to changes in formula, brought about by things such as milk, lard and sugar was—

Mr. WINTERS: So, if you had continued along with your old formula your increase in cost of ingredients would have been approximately half a cent a loaf?

The WITNESS: I would say just about that.

Mr. LESAGE: So the cost of the ingredients of the same loaf of bread would have increased in September up to date only half a cent; that is what your last answer was?

The WITNESS: I am afraid that is wrong, that should be a cent and a half.

Mr. LESAGE: A cent and a half?

The WITNESS: Yes.

By Mr. Winters:

Q. But it does not work out that way, assuming that these figures of yours are correct; that 8·32, or if you care to make it 8·62—we will take the figure you give us.—A. I will give you that later.

Q. Yes; flour, raw material, wrapper, labour and overhead goes into the same total, 8·32 cents; the same items in cost totalled 6·89, the difference being 1·43. Referring back to evidence given this morning, approximately 1 cent you said at that time—as the witness said at that time—now you are .8.—A. 8/10 of a cent.

Q. All right. That is attributable to the change in formula?—A. Yes.

Q. Which leaves only approximately half a cent that you can attribute to the increase in the cost of ingredients and wrapping, labour and overhead.

Mr. CLEAVER: If you take that one item of material costs, 5·92; subtract from that the cost, material cost of 4·32; you have the resulting figure of 1·69; and if you take out .8 from that you have a figure of .89.

Mr. WINTERS: Yes, that is it.

Mr. LESAGE: Do you agree that this increase would be only .8 cents in the cost of ingredients?

The WITNESS: No. To my actual knowledge the cost was more than that. I can't work out the precise figure, and that is what bothers me now.

Mr. CLEAVER: I wonder if the witness would have a chance to check his figures and we can hear Mr. Bird's evidence. That would give him a chance to check that up.

The WITNESS: That figure, of course, includes raw material, wrapping supplies, labour and so forth.

Mr. WINTERS: May I ask another question? Mr. Burdon, referring to Exhibit 22, which has the same labour costs information provided by Canada Bread Company; the last figure given is 2·29, bakery wages per barrel of flour used in the production of bread—and I understand that your comparable figure per barrel of flour is 1·86 on each 24-ounce loaf of bread—it gives you the labour cost of approximately 1·23 cents per loaf. Now, is that comparable with your labour costs, .7 cents per loaf?

The WITNESS: I have not figured out exactly how they arrive at those figures.

Mr. HOMUTH: Are we not confusing both firms' system of accounting?

The WITNESS: We probably are.

Mr. HOMUTH: The witness might be able to answer that point with respect to his operation.

Mr. WINTERS: Would the witness care to answer that as suggested by Mr. Homuth?

The WITNESS: I will be very glad to answer but I would like to have a chance to check over these figures.

Mr. IRVINE: Would you be prepared to state to the committee what wages are paid your help; are they paid union wages; are they union men; and, are you paying as much as any other baker is paying for the same type of work?

The WITNESS: Item 1, there is no union in our plant either in Montreal or Toronto. Item 2, our wage scale is above the average for the industry. Was there something else in your question which I did not get?

Mr. IRVINE: No, that is all I wanted to know.

The VICE-CHAIRMAN: And his last answer was?

Mr. IRVINE: Above the average for the industry, Mr. Chairman.

Mr. FLEMING: Above the average for the industry.

The VICE-CHAIRMAN: I see.

By Mr. Beaudry:

Q. Without going into cost factors would you be able to indicate what factors—I am not going to draw on your experience as an A & P man but strictly as a cost accountant—what factors would have to be added to the production cost which you arrive at by the average baker to arrive at his total cost; again, I am not going into the element of dollars and cents factors.—A. Just the factors?

Q. Yes?—A. Where is the loaf of bread? Is it at the oven; is it wrapped; is it packed in a carton?

Q. No, no, at the store.—A. For sale in the store.

Q. Or wherever they may be sold?

Mr. WINTERS: Put it on a platform.

Mr. BEAUDRY: I am not putting it on a platform. I am going to handle this.

Mr. IRVINE: Better let him handle it.

The VICE-CHAIRMAN: Let Mr. Burdon put it wherever he wants it.

The WITNESS: I will put the bread in the store on the rack ready for sale.

Mr. BEAUDRY: Whether it is in the store or delivered to the consumer I would like to have that answer.

The WITNESS: I cannot possibly answer that.

Mr. BEAUDRY: I want the amount that will have to be added from your price I believe you called it your cost price on the platform, to cover the cost of handling that delivered to the consumer. Can you give us that?

The WITNESS: If it were possible to determine it. You would need to have the cost of delivery to the store. You would have to take into consideration the cost of delivering the bread to the store, how much clerk's time it took to rack it up, how much time is taken to ring the cash register when the sale was made and so on.

Mr. BEAUDRY: You are going too far, you are going beyond the sale.

The WITNESS: This is in the store still. You said at the store.

Mr. BEAUDRY: Perhaps we are working at cross purposes.

The WITNESS: All right.

Mr. BEAUDRY: I would like to get the components, the elements which will have to be added to the cost to the baker—

The WITNESS: To the baker?

Mr. BEAUDRY: To the bakery which puts it out, how much has to be added to that cost to arrive at the total delivery cost?

Mr. HOMUTH: Where is this loaf now, is it on the platform?

Mr. BEAUDRY: We are going to dump it in your lap in a minute.

The WITNESS: This is the independent baker selling to the retail merchant; is that it?

By Mr. Beaudry:

Q. Or to the public. I want to get the elements of cost which are involved between the bakery and the consumer?—A. Of course, I have not bumped into anything like that in our business. That would be a matter of figuring out the expense of putting it at the customer's door and figuring out the element of profit.

Q. Both delivery and profit. These figures of yours, of course, do not include any profit?—A. They include no profit.

Q. And your average baker would have to figure a profit as well as his delivery expense?—A. No. If he were starting with my basic costs he would only have to add—

Mr. BEAUDRY: He would add on the delivery costs.

Mr. MACINNIS: I think you are talking to the wrong person.

Mr. BEAUDRY: No, I suggest we are not. I understand this witness to be an expert accountant, and while we have one here I wanted to ask him that question first. You will recall I specifically stated I did not want dollars and cents, I was speaking about cost factors. I asked the witness if it was within his province as a cost accountant to suggest some factors which would have to be added to make up the delivery cost.

Mr. HOMUTH: He has said that in their picture he only figures the cost delivered to the platform. Whatever way Mr. Burdon wants to put it, Mr. Beaudry cannot put it there for him.

Mr. BEAUDRY: He has done it.

The CHAIRMAN: Surely, this man is a cost accountant and Mr. Beaudry has asked a question respecting his experience or opinion as a cost accountant. I think those questions are proper. I think we should establish some basis on which further questions of this kind might be asked. Have you any further questions, Mr. Beaudry?

Mr. BEAUDRY: If Mr. Homuth will allow me.

Mr. HOMUTH: Oh, I don't mind at all. I was just trying to keep you right.

Mr. BEAUDRY: I will try to do that for myself now.

Mr. MACINNIS: I submit, Mr. Chairman, that this witness could not tell Mr. Beaudry the cost, but he could tell him what the factors are which enter into the cost.

Mr. BEAUDRY: That is what I asked for, the elements.

Mr. MACINNIS: You can get that better from a baker who actually does the work and knows the costs.

Mr. BEAUDRY: Well, gentlemen, if I may mention it, I did speak specifically about factors, and I definitely excluded the element of dollars and cents. I think Mr. Burdon understood me, and he has tried to give me an answer.

By Mr. Beaudry:

Q. May I ask you another question on the basis of this cost of 9 cents per loaf in January. You could not operate a bakery, could you, on the 1st of December by selling your bread at 9 cents? I am speaking of the same bread

produced under the conditions and under the costs you are now producing?—A. That is a somewhat theoretical question.

Q. The same loaf and sold on the same day?—A. It is fairly theoretical, sir.

Q. I do not know whether it is theoretical or practical; would you be able to operate a bakery in a normal commercial operation?—A. Were I selling to an outsider for resale?

Q. Yes, doing what you would do as a bakery operator doing a normal bakery operation.

Mr. WINTERS: Standing on the concrete.

The WITNESS: I would say, no; not enough profit in it.

Mr. BEAUDRY: Thank you.

Mr. IRVINE: What was the answer?

Mr. LESAGE: No, because there was no profit.

Mr. HOMUTH: He said earlier that they sold at cost, there would be no element of profit entered into—

Mr. IRVINE: —the figures; yes. That would be correct.

Mr. MACINNIS: That would not be correct though. The margin is one cent. If that covers more than transportation there is a residue which would be profit as between the store and the bakery.

The CHAIRMAN: Mr. Bird, I wonder if we could come to you for a while.

Mr. PINARD: He will have to come to us first, Mr. Chairman, and sit here.

George W. Bird, Purchasing Agent, Great Atlantic and Pacific Tea Company Limited, recalled:

The CHAIRMAN: Mr. Bird, you are selling bread at 10 cents and bread is being sold in Toronto and Ottawa at a higher rate. What would you have to say about the quality of your bread as compared with the other bread?

The WITNESS: I can say that in our opinion, Mr. Chairman, our bread is as good as any bread that is being sold on the market any place in this part of the country.

Mr. HOMUTH: How does it compare with bread in the west?

The WITNESS: I am not familiar with the western loaf.

By the Chairman:

Q. And you are still making a profit at 10 cents?—A. Yes.

Q. Have you any knowledge at all of what your gross sales are?—A. If the committee wishes I would be very glad to give them, but the figures have not been disclosed, I might say, to date. This is for the fiscal year ending February, 1946. Sales were approximately \$39,000,000, gross profit rate .1367; and net profit after taxes .0099; our expense rate, .1170.

Q. And have you found that with the lower price you have had an increase in sales?—A. A lower price of bread?

Q. Yes?—A. Yes, sir; our sales have increased.

Mr. PINARD: As a matter of fact, they have increased ever since the controls were removed on flour; is not that a fact?

The WITNESS: I would have to check those figures. I believe that is right.

By Mr. Dyde:

Q. Those figures that you just gave the chairman, are they right?—A. Oh they were for the fiscal year ending February of 1947. I am sorry, it is for the year 1946 but ending February, 1947.

Q. Have you, Mr. Bird, got any information to give the committee with reference to other staple articles, the margin on other staple articles being sold by A & P?—A. I have some figures, Mr. Dyde. I do not know just how far the committee would like to go into this.

Q. I think your list is fairly short and I think you might just read it rapidly into the record.—A. These are gross profits I am reading based on sales, and I have made them with a differential because they do fluctuate at certain times, depending on the sales of such things as cream, and so on. Fluid milk, 7 to 9 per cent, bread 10 per cent; cake 16 to 20 per cent; total bakery 16 to 17 per cent; butter 4 to 4½ per cent; sugar 5 to 5½ per cent; lard 10 per cent; tea 13 to 14 per cent; coffee 13 to 14 per cent; soap 11 to 12 per cent; eggs 6 to 7 per cent.

Q. I noticed when you read that list, Mr. Bird, you referred to bread and put it at 10 per cent?—A. Yes, sir.

Q. It may be those figures are made up as of a certain date which I think you might explain?—A. I can say these figures are cumulative up to the present, the last accounting figures that I have. We do not normally prepare anything on accounting figures until we pull off our balance sheet at the end of the year, and the only figures I have, and on which I am basing these figures, are the accounting figures with which we guide the business as we go along. They are up to date and on a cumulative basis.

Q. The point I wanted to bring out is you have put bread at 10 per cent on your list?—A. I took these figures off before that other figure was completed on bread. I had already made this list up and I neglected to change it. I took the 9-cent cost and the 10-cent retail which gives us 10 per cent profit.

Mr. CLEAVER: As at December 1, 1947?

By Mr. Dyde:

Q. There are one or two questions arising out of earlier evidence. You spoke of getting supplies from the Copeland Milling Company. Do you know whether that company is an independent milling company or not?—A. Yes, sir, I do. It is an independent mill.

Q. And in connection with another question, is A & P a member of an association of baking companies?—A. No, sir.

Q. You are not a member of any association?—A. No, sir, no association.

Q. And I think that you can also give the committee some information, it really is not information but it is perhaps a reminder. I think you can tell the committee something about the big turn-over that there is in bread and this number of items on your list.—A. Well I think I can say this, Mr. Dyde. Our turn-over on bread, as far as we know, is daily. The loss factor is practically negligible and deliveries are made on a daily basis, and to the best of my knowledge, practically, I could say it was 90 per cent clean-up daily without overstating myself.

Q. In connection with the general questions as to quality how do you arrive at a uniform 24-ounce loaf? How do you assure yourself that will be delivered?—A. We scale at 28 ounces.

Q. You scale at 28 ounces and what does that produce?—A. That produces 24½- to 24½-ounce loaves.

By Mr. Lesage:

Q. You said this morning, Mr. Bird, you were having an experiment in Montreal and Toronto with respect to Christie's bread?—A. It is Christie's in Toronto but in Montreal it is with the Pride of Montreal loaf, I am sorry.

Q. What is the company?—A. I believe it is Harrison Brothers.

Q. Harrison Brothers?—A. Yes.

Q. Now what do you pay for Christie's in Toronto for a 24-ounce white, unsliced loaf of bread?—A. I have it here Mr. Lesage. You want the present cost?

Q. Yes.—A. The cost is 11½ cents a loaf less 5 per cent. In Montreal, from Harrison Brothers, a loaf is 12½ cents less 10 per cent.

Q. That is the price they are selling to you, delivered at the store?—A. Yes sir.

Q. At what price do you sell to the consumer? I am speaking of Christie's?—A. We are selling Christie's loaf at 14 cents, and also P & M, or Pride of Montreal.

Q. Do you work out the margin or mark-up, the profit?—A. May I answer that this way, Mr. Lesage? This experiment we are making with Christie's brown, and the Pride of Montreal loaf, is based entirely on consumer acceptance, and we are selling it at the current price. There is no attempt to fix any particular mark-up; we just sell it at the going price that it is being sold at in other stores.

Q. It is a very small volume?—A. Yes.

Q. You said so this morning; you gave us the figures so you do not need to repeat it. Have you always purchased your flour from—what is the name of the company?—A. Copeland.

Q. Yes, Copeland?—A. For a great many years.

Q. For a great many years. Did you ever have any trouble buying flour from Robin Hood or other companies, if you tried?—A. I would not say I had any trouble. I might answer that this way. I do not think, appreciating the situation, that the mills engaged in the baking industry have too much interest in our business.

Q. Will you comment on what you have just said?—A. I might say it is entirely mutual.

Q. Well I suppose so, but just the same— —A. What would you like me to tell you?

Q. Well I understand that the flour milling companies control a lot of bakeries? Is that true to your knowledge?—A. It is merely hearsay. I know nothing whatsoever about it.

Q. It is hearsay?—A. Yes, I hear quite a bit of it.

Q. And did you ever try to obtain any flour from these milling companies controlling bakeries?—A. I have received quotations from them a great many times.

Q. And what did you find out from their quotations?—A. We found them to be a bit out of line, usually.

Q. In their price?—A. Yes, sir.

Q. They quote prices to you which are higher than they would quote to their subsidiaries or to the bakeries which they control?—A. I would not know.

Q. You would not know, but their prices to you are out of line?—A. With what I can buy flour at.

The CHAIRMAN: With what?

The WITNESS: With what I can buy flour at.

Mr. HOMUTH: In other words their price was not conducive to getting your trade?

The WITNESS: Let us put it this way? I think it is perhaps dominated by a lack of interest on their part.

By Mr. Lesage:

Q. In you?—A. As far as we are concerned.

Q. I understood that you had the feeling that the owners, or managers or whatever you would call them, of these milling companies did not have a very tender sentiment towards you and it was the same for you towards them?

Would you tell the committee why?—A. Oh, I guess it is just because we do not do very much business together. That is probably the main reason and I have no feeling other than that.

Q. Would there not be more than that, along the line I suggested in my last question?—A. I do not think so.

Mr. CLEAVER: It would not be fear of competition between your bread and the bread the other subsidiaries produce?

The WITNESS: I would not be able to answer that.

Mr. CLEAVER: No, I would not expect you to be able to answer that.

By Mr. Lesage:

Q. Mr. Bird, I want to know whether you believe that the large increase in the amount of your total sales in the last month is due to the fact that you were selling at a lower price than the other bakers?—A. I would not say so

Q. You would not say so?—A. No.

Q. Can you attribute this increase to something definite?—A. Well I attribute it to the improvement in our formula for one thing.

Q. Yes?—A. And also to the fact I think there has been a general swing to the chain store—shall we say “way of doing business”. I think it is due largely to the increase in sales generally, which is very general and material as far as the chain stores are concerned.

Q. Now, Mr. Bird, and it will be my last line of questioning, you said your margin on butter was 4 per cent?—A. 4 to 4½ per cent.

Q. Yes, 4½ to be exact, and on milk it was 7 to 8 per cent?—A. 7 to 9 per cent.

Q. Yes. There is no loss in butter or milk? There is no spoilage, or if there is it is negligible?—A. Well it is small.

Q. As it is in the case of bread?—A. Butter is a fast turning item and so is milk.

Q. It is about the same as bread?—A. I would say that as far as milk is concerned sales are so small that there probably could not be any spoilage.

Q. No, and your margin on bread was 10 per cent, lately? Do you consider it is a fair margin?—A. Yes, sir.

Q. It is a fair margin?—A. I think so.

Q. It is sufficient to operate your stores?—A. Well, bread is a staple item, Mr. Lesage, and I think I can say accurately that it is the fastest turning over line that we have in the grocery business. As such I would certainly consider that the profit was quite reasonable.

Q. In establishing your margins on various commodities one element is the speed of the turn-over?—A. That is right.

Q. And the speedier the turn-over the lower can be the margin?—A. I think that is true.

Q. And would you say that what is true with your stores is also true, in your experience, with the retail grocery trade in general?—A. It should be. I think that statement applies to the grocery business in general.

By Mr. Mayhew:

Q. Would you give us the ratio of turn-over to employed capital?—A. I am sorry, I am not in a position to give those figures. I do not know them. I think it can be assumed from the fact the net profit after the tax is quite reasonable that the return on the invested capital would not be too great.

Q. Well, do you say in bread it was practically a daily turn-over?—A. Well, I know that—

Q. You would not turn over your capital every day because you have such large stocks?—A. Hardly.

Q. How often would you turn over your capital, every year?—A. I cannot answer that. I do not know. I can tell you how often we turn over our inventory but not our capital. I do not know what you mean, exactly.

Q. Well, you would know what capital you have employed and you would know what your turn-over is?—A. No, I am sorry I do not.

Mr. IRVINE: Are you finished?

Mr. CLEAVER: May I follow you?

Mr. IRVINE: I will give you my permission.

By Mr. Irvine:

Q. Mr. Bird, has your company, or any subsidiary of your parent company, any interest in Copeland Flour Mills, directly or indirectly?—A. No, sir.

Q. Does any officer or director of your company own any interest in Copeland Flour Mills, directly or indirectly?—A. No, sir.

By Mr. Johnston:

Q. Well, following that question, have any of these milling companies, or principals of these milling companies, approached your company in an endeavour to get shares?—A. To buy shares in our company?

Q. Yes?—A. Not to my knowledge.

By Mr. Cleaver:

Q. Do Copeland Flour Mills sell generally to the trade or specifically to A & P?—A. No, I think they sell to the trade generally.

Q. Do you know whether Copeland Flour Mills own any bakeries?—A. Yes, I am sure they do not.

Q. Can you give the committee any estimate of the cost of delivering bread from the bakery platform to the retail stores?—A. Well I can answer that this way, Mr. Cleaver. I can give you an average cost, or rather the average delivery expenses of bread and groceries, and that is on an average basis.

Q. Yes?—A. The figure is 28 cents per hundred in Toronto, which is 42 points a loaf and it is the same figure in Montreal.

Q. 42?

Mr. LESAGE: 2/5 of a cent.

The WITNESS: As far as we are concerned it is an expense item.

By Mr. Cleaver:

Q. Have you with you the last financial statement of A & P?—A No, sir.

Q. Would you make that available to the committee?

Mr. WICKETT: Well, Mr. Chairman, this is a wholly owned subsidiary and these financial statements have never been filed in Canada to my knowledge. Is that essential? If Mr. Cleaver wants the capital employed to figure out profits, and if he would tell me exactly what he means by "capital employed" and whether it is according to the interpretation of the Excess Profits Tax Act or the ordinary accountancy interpretation, I will get him those figures as to the capital employed. He has got the profits and he can figure out anything he wants, but, unless I am definitely ordered, I am not going to file the financial statement of the A & P Tea Company.

Mr. CLEAVER: I would like to have the capital employed, and what I mean by capital employed is the total amount of paid-up capital.

The CHAIRMAN: Excuse me, Mr. Cleaver. I am not commenting at all on your answer at this stage except to say that I have noted it.

Mr. CLEAVER: And I would like the amount of profit reserve left in the capital structure and not declared as dividends.

Mr. LESAGE: Would you like to have the figures separated?

Mr. WICKETT: May I get these down please?

Mr. CLEAVER: The amount of all reserves, and on the other side of the picture I would like your total sales in Canada.

Mr. WICKETT: That has already been put in evidence.

Mr. CLEAVER: Well, I have not got a copy of that.

Mr. MACINNIS: Mr. Chairman, in regard to—

Mr. LESAGE: Did you ask for the profit?

Mr. CLEAVER: I am not through yet, but Mr. MacInnis had a question.

Mr. MACINNIS: I was just going to make a comment on a statement made by the solicitor for the A & P. This is a business firm doing business in Canada and consequently its business, like all other businesses, has an effect on the cost of living. We are investigating the cost of living and I do not see how we can treat this firm—even as a subsidiary of another firm in another country—I do not see how we can treat it any differently to firms doing business wholly in Canada, without discriminating against the other firms.

Mr. IRVINE: That is to say if we demand the accounts of the other companies you think we should demand these?

Mr. MACINNIS: Absolutely.

Mr. WICKETT: May I say that any shareholder, or any person in Canada, can get the statement of Dominion or Loblaw's or any other publicly owned company and there would not be any point in a refusal to file those statements with this committee.

Mr. CLEAVER: If I might finish we can have the general discussion afterwards. I would like to have your gross profits before taxes, the amount of the taxes, and the net profit.

Mr. LESAGE: In dollars?

Mr. CLEAVER: Yes.

Mr. WICKETT: The total sales in Canada, the gross profits before taxes, the amount of taxes, and the net profit in dollars.

The WITNESS: You mean the net profit before taxes?

Mr. WICKETT: You said the gross profit.

Mr. CLEAVER: I beg your pardon? And then I think, in view of the fact that the complete statement may not be furnished, I think we should have a general breakdown after gross profits. That general breakdown would be direct wages, management, overhead, and the like.

Mr. LESAGE: And corporate expenses?

Mr. WICKETT: Is that for the whole operation?

Mr. CLEAVER: For Canada.

Mr. WICKETT: Or just for the bakery?

Mr. CLEAVER: The entire operation.

Mr. WICKETT: The entire operation.

The CHAIRMAN: Mr. Wickett, if you do not mind me saying this. I think it is a little unfortunate that you made the observation you did with regard to what you are prepared or not prepared to do. I do not think this committee can ask one company to produce its annual statement and not ask another company.

Mr. WICKETT: Well, sir, if you order me to produce it it will be produced.

Mr. MAYBANK: Well, I think that is a better answer, Mr. Chairman, than the answer he made first.

Mr. WINTERS: He said "unless ordered to do so" even in the first instance.

Mr. IRVINE: That is right.

The CHAIRMAN: Oh.

Mr. CLEAVER: Yes, then if I may, I have one or two other questions.

By Mr. Cleaver:

Q. Would you mind reading again, a little more slowly, the six or seven grocery items which you gave the committee, together with the mark-up?—

A. If I can find the list again. Fluid milk 7 to 9 per cent; bread 10 per cent;—

Mr. WINTERS: Are these mark-ups on selling price?

The WITNESS: These are based on selling price.

By Mr. Cleaver:

Q. Bread?—A. 10 per cent; cake 16 to 20 per cent; total bakery 16 to 17 per cent; butter 4 to $4\frac{1}{2}$ per cent; sugar 5 to $5\frac{1}{2}$ per cent; lard 10 per cent; tea 13 to 14 per cent; coffee 13 to 14 per cent.

The CHAIRMAN: I am afraid we will have to adjourn the meeting now. There is to be a meeting of the steering committee immediately and Mr. Mayhew has to get away.

The meeting adjourned.

Gov. Doe
Can
Com
P

Prices, Special Committee on

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

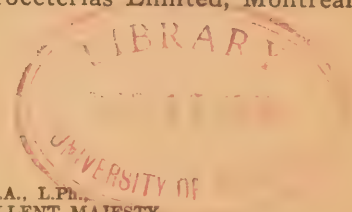
MINUTES OF PROCEEDINGS AND EVIDENCE

No. 16

WEDNESDAY, MARCH 3, 1948

WITNESSES:

- Mr. George W. Bird, Purchasing Agent, Great Atlantic and Pacific Tea Company Limited, Toronto.
- Mr. Paul P. Burdon, Cost Examiner, Great Atlantic and Pacific Tea Company Limited, Boston, Mass., U.S.A.
- Mr. Sam Steinberg, Steinberg's Wholesale Groceries Limited, Montreal.



OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

Wednesday, March 3, 1948.

The Special Committee on Prices met at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Cleaver, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

The Chairman brought to the attention of the Committee a telegram received from the "Roll Back Prices Committee", Montreal, requesting that consumer organizations be heard. It was agreed to refer this request to the Steering Committee.

Mr. George W. Bird, Purchasing Agent, Great Atlantic and Pacific Tea Company Limited, was recalled and further examined.

Mr. Burdon also answered questions.

Witnesses retired.

Mr. Sam Steinberg, Steinberg's Wholesale Groceterias, Limited, Montreal, was called, sworn and briefly examined. He filed:

Exhibit No. 34,—Statement showing selling price and cost of 24 ounce loaf (wrapped, unsliced), all stores in Montreal; and gross margins as a percentage of sales on certain lines, period of December 15, 1947 to January 10, 1948—Steinberg's Wholesale Groceterias, Ltd.

At 6.00 p.m. witness retired and the Committee adjourned until Thursday, March 4, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
March 3, 1948.

The Special Committee on Prices met this day at 4 p.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Gentlemen, the committee has been very busy, the steering committee, too. I have a matter that I would normally take up with them, but I think we might dispose of it with despatch today. As I told you two days ago the Canadian Consumers Organization requested the opportunity of being heard and of laying a brief before us some time on March 11 or 12. They mentioned that date because they were having a meeting here in Ottawa of their executives, and that would be convenient for them.

At the same time I have received a wire sent by Mr. Hardie and several others. It is signed by representatives of the Provincial Association of Protestant Teachers, the National Catholic Syndicate, the Montreal Labour Council, Canadian Congress of Labour, Women's Auxiliary Canadian Legion, Fairmount Home and School Association, the Verdun Consumers League, the Montreal Consumers Federation. These people send the following wire asking for an opportunity of expressing consumers' views. The wire reads:

Roll back prices committee respectfully request appointment with prices investigating committee to express Quebec consumers' views. We agree our committee should grant hearings to consumers organizations as business interests have been heard. Our views should carry weight since we represent 300,000 people in 100 Quebec organizations.

I was wondering if the committee thought we should advise these people, first of all the Canadian Consumers Organization, that we are prepared to hear them around the 11th or 12th of March, and advise the others at the same time.

Mr. JOHNSTON: That would bring up this question. Are you going to allow other organizations which are not business concerns to come here and make presentations? If you do you are opening the field pretty wide, not that I am objecting, but I do not want to set a precedent unless we are prepared to hear others. It occurs to me they might be able to submit a brief and then after having perused the brief if you as chairman think there is sufficient evidence there that is factual evidence then it might be worth while. Unless we have factual evidence I do not think that merely expressing opinions will help us in our research.

The CHAIRMAN: In the case of the Canadian Consumers group there will definitely be a brief.

Mr. MAYBANK: I am opposed to deciding whether they should be called or whether they should not be called at this moment either on the 11th or any other date. I do not see any percentage in having a dog and doing your own parking. It has always been understood this sort of thing would be looked at by the steering committee, and to decide suddenly now one way or the other would perhaps lead us into the position again of taking up something in the middle of something else. I think it would be better to leave that sort of thing to the steering committee.

Mr. PINARD: We should not be left with only one side of the picture. We should know what the opinion of the consumers' organizations is if they are organized. We will not be able to know it otherwise.

Mr. JOHNSTON: You do not want opinions; you want facts.

Mr. PINARD: It all depends on the brief they will give us. I think we should study that brief when they come here.

Mr. JOHNSTON: I am not objecting to it other than saying that if you start that then I think that other similar organizations throughout the country should have the same privilege.

Mr. HARKNESS: Do I understand that these organizations want to put in a combined brief?

The CHAIRMAN: They do not say. My observation was of a twofold character. First, the Canadian Consumers Organization, of which Mrs. Marshall is president, wish to put in a brief and will have a brief available to us at the end of this week or the beginning of next week. They wish to speak to that brief on March 11 or thereabouts as they are having a meeting of their executive in Ottawa at that time. That is how they came to suggest that date. This telegram does not say whether or not they have a brief.

Mr. HARKNESS: The point I had in mind was I do not think we have time to hear all these numerous consumer organizations which perhaps would like to give us their opinion. It is not physically possible for us to do it. I think it comes down to a question as to whether we take one or two representative organizations and have done with it or whether we hear them all.

Mr. IRVINE: I was going to say that after all the consumers are the ones who are paying the prices that we are investigating. It is quite possible they might be able to give us a lead as to some prices charged of which we might not hear at all. Beyond that I do not see how we could refuse them the opportunity of appearing here.

The CHAIRMAN: I do not think there is any suggestion of that. The steering committee had already decided to hear the Canadian Consumers Organization. The question I am raising now is the date because they are pressing here. They want to know the date of the meeting. At the same time I am pointing out if we hear them at that time there is this other request from, as you see, quite a large group.

Mr. MERRITT: I think it is rather important we do hear directly from the consumers. After all this committee is set up principally to investigate costs to consumers, and we are almost getting in the position where the consumer is again the forgotten man, as we often say in our speeches.

The CHAIRMAN: I think all members of the committee are agreed—the steering committee certainly was agreed—that the consumers should be heard. The impression should not be allowed to go out that any member of the committee is opposed to that. I think we are all agreed that the consumers have to be heard. The question is what is the most orderly and effective way in which that is to be done.

Mr. MERRITT: I was going to suggest to you that since it will be the general consensus of opinion in the committee that we should hear consumer organizations, and since at the same time we do not want to prolong unduly the sittings of the committee, that the steering committee should investigate not only the date upon which we will hear the Canadian Consumers League, but also what organizations of consumers in addition to that association should be heard, and a recommendation should be made to the committee, because I quite agree with Mr. Harkness that we do not want to throw the field wide open. However, we do want to have adequate representation from the consumers.

The CHAIRMAN: I think that is a good suggestion.

Mr. IRVINE: Before you call the next witness I should like to ask the steering committee if it is ready to report today on that matter of commercial rents which they have been considering for some time?

Mr. MAYBANK: Mr. Chairman, I can answer that. The steering committee, as I said last time, asked Mr. Mayhew and me to draft something as well as we could estimate which would be the consensus of opinion already expressed. Mr. Mayhew and I have worked at it, but have not been able to complete it.

Mr. IRVINE: Do you think you will have it tomorrow?

Mr. MAYBANK: He and I were talking a couple of hours ago and thought we would get it done today yet. The minute it is ready we will ask the chairman to call the committee, and I think that would result in a call for tomorrow morning. That is what Mr. Mayhew and I think at the moment. We feel pretty sure that is so.

The CHAIRMAN: All right.

George W. Bird, Purchasing Agent, Great Atlantic & Pacific Tea Company Limited, recalled.

By Mr. Dyde:

Q. Mr. Bird, there are one or two questions which I should like to clear up from yesterday's evidence. There was a question raised as to the reason for the decrease in the cost between December 1, 1947 and February 14, 1948, from 8 cents to 8·70. Can you answer that now?—A. Yes, I believe I can. The reason for the decrease is entirely in raw material. It was due to an error in figuring the formula. The price as of February 14 was figured with the same quantity of milk as the formula used in twelve-one, and that would make a difference of 30 points.

Q. That is entirely a matter of the materials in the loaf?—A. Yes.

Q. Another question which was raised and which I would like to clear up—you can was the effect of taxes on the cost of a loaf of bread, in Toronto and Montreal, I think it was, combined.—A. Do you want Toronto and Montreal separately?

Q. Whichever way you have them.—A. I have them separately. In Toronto is .000195 per loaf.

Q. And in Montreal?—A. In Montreal it is .00018.

The CHAIRMAN: One almost feels like saying oh.

By Mr. Dyde:

Q. Then I think you were also to make a correction in the raw material computation of yesterday.—A. I believe the figure was quoted as .0592. It should be .0622. That is also due to increased milk. I do not think I gave the proper answer to your first question.

Q. I am wondering whether you did.—A. I do not believe I did. The reason for the decrease in raw material. I think flour is one of the reasons and I believe milk—that is where I was confused—is also another factor, the reason being in one case spray process milk is used and in the other roller process, and the cost of the roller process milk is less. The reason we use both kinds of milk is that we are unable to get sufficient quantities of spray process milk.

By Mr. Winters:

Q. What is it then, that the .0592 cents a loaf in December for raw material should be what?—A. It should be .0622. That is the last question, it on the first question I gave the wrong answer.

The CHAIRMAN: All right.

By Mr. Dyde:

Q. Then there was a question raised as to your northern points which I think Mr. Burden referred to you as to the number of stores.—A. Unfortunately we have been trying to get that information all day in Toronto. We are having a large meeting in Toronto today and the office is practically depleted, and we were not able to get the information in time. I think if you will allow me I can answer the question fairly closely from memory.

Q. Answer it from memory and then if there is any correction to be made you can do it by letter if necessary.—A. All right. I believe there are four or five stores in that area. My impression is the price is two for 21 in that particular area.

Q. What is the area?—A. It would be Timmins, Kirkland Lake—two for 23 is the price, by the way—Sault Ste. Marie, Rouyn and New Liskeard.

By Mr. Lesage:

Q. What is the price in Quebec city? Do you have any stores there?—A. Yes we have two stores there.

Q. What is the price there?—A. The price there is 3 for 23, but that is for the 16-ounce loaf.

Q. Did you ever receive any representations or suggestions from either bakers or retailers regarding the retail price of your bread?—A. You say either bakers or retailers?

Q. Or millers?—A. It is a rather embarrassing question. I could answer it this way; I would say that any representations we have had from the bakers have been on an off-the-record basis. In other words, it is more or less in a joking manner. I think the baking trade as a whole understands the company's principles and attitude toward discussing retail prices and, for that reason I can truthfully say that they bother us very little.

Q. But you have been bothered. They bother you very little, but you have been bothered a little?—A. But it does not bother me.

Q. You said you had been bothered a little. I should like to know what you mean by, "a little", and what the bothering was about? I should like the witness to answer for himself.—A. Well, I might say that, for instance, back in 1941 we were called to appear before the Hon. Mr. MacKinnon to, more or less, attempt to justify our position so far as retail prices were concerned at the time—I am speaking of bread. I think the figures were reasonably satisfactory. At a later date we were also asked to appear before the Dominion Trade and Industry Commission regarding retail prices, at which time I think the prices were quite satisfactory also.

Q. But that is the government; the government called you?

Mr. CLEAVER: Would you ask the witness who made the complaint that brought their company before this body?

The WITNESS: I do not think it was a complaint. I think it was an invitation, maintained on behalf of the National Bakers Association.

By Mr. Lesage:

Q. Let us come back to the answer you made a moment ago. You said you had been bothered by other bakers; you have been bothered a little. I want to know what happened. Who did the bothering and in what way, when?—A. I do not call it actually a bother. For instance, I know a lot of people in the trade—

Q. I did not call it a bother, you did.—A. If I got a 'phone call and, in a laughing way, somebody said, "When are you going to put up your price on bread", I would say, "If you put somebody outside the store and wait long enough you will probably determine".

Q. You would call it a joke. Who did ask you over the 'phone when your price would go up?—A. I may have had lots of calls of that kind.

Q. Do you remember any of them?—A. I do not remember any of them now.

Q. Under your oath, Mr. Bird, could you not remember one instance?

The CHAIRMAN: Mr. Lesage, could I seek to help you? You used the word "bothered". It is quite understandable that this witness would know all the people in the bread business with whom he has daily contact. If you started from the assumption he is selling bread at a lower price than some other companies and proceed, with that as a basis, to ascertain whether or not it has not been suggested from time to time by other companies that this witness' company ought to increase the price of bread, you might arrive at your goal.

By Mr. Lesage:

Q. That is what the witness said. The witness said he had received telephone calls about it?—A. I beg your pardon, there was no suggestion that the price be increased. It was a question of timing.

Q. When would the price be increased?—A. I imagine they were interested from a competitive standpoint.

Q. I am interested in knowing who did call you?—A. I cannot tell you, Mr. Lesage; I don't remember.

By Mr. Winters:

Q. Did anybody ever suggest that you bring your price into line with the other retailers?—A. What kind of price?

Q. Your retail price?—A. On bread?

By Mr. Lesage:

Q. Yes.—A. Not on bread, no.

By Mr. Winters:

Q. Nobody ever suggested informally or formally that you raise the price of the 10-cent loaf to the price prevailing elsewhere?—A. I do not know of any occasion.

By Mr. Lesage:

Q. I cannot very well understand why you, being in the business and knowing these people from the other bakeries in Toronto, would not remember any telephone calls when you have mentioned telephone calls?—A. Those calls might be in the evening, not during business hours; just as a matter of conversation, may be.

Q. Could you remember which bakery the person with whom you talked was associated?—A. I do not think there is any one person or any one bakery. I might have had numerous calls.

Q. You had numerous calls?—A. I said I might have had.

Q. You are the one who should know, I cannot make any assumption. Did you have many telephone calls?—A. I think, over a period of years, I might have. I am not speaking about any period—

Q. No, since 1941?—A. This would go back to 1929, for instance.

Q. Let us say since 1941, or to make it more recent, since the removal of controls. Mr. Bird, you had these telephone calls in September, did you not?—

A. No, sir.

Q. You had some?—A. No, sir.

Q. You had some representations either in September or since?—A. Well, any calls that I have had, Mr. Lesage, were purely informal.

Q. Even if they were informal, Mr. Bird, I should like to know about them. Have you had any informal or formal calls since September?

Mr. CLEAVER: I wonder if it might not be wise to come back to this matter later since the witness' memory is so hazy about it. Surely, there are some things with which we might continue.

Mr. LESAGÉ: Are you suggesting I leave this point?

Mr. CLEAVER: I am suggesting the witness have time to think it over.

Mr. LESAGE: I do not know—I want to know if he had such telephone calls since September or such representations as I am talking about?—A. I think we did have a representation from the Ontario Bakers Association since—

Mr. LESAGE: Since when?

Mr. JOHNSTON: May I remind you—you will excuse my interruption—that the other day, Mr. Mayhew objected when I attempted to have a witness recall what happened six or seven months ago.

The CHAIRMAN: May I suggest that I appreciate that point and that this is an important matter on which we are at the moment.

Mr. JOHNSTON: I am not questioning that.

By Mr. Lesage:

Q. When were these representations made?—A. I believe it would be in January.

Q. Who called you or who saw you on behalf of the Ontario Association?—

A. No one saw me, Mr. Lesage, someone came to call on our general manager, Mr. Beebe.

Q. Who did call on your general manager?—A. Colonel Ruttan.

Q. What did he suggest?—A. I understand he suggested that our price was demoralizing the industry.

Mr. MERRITT: Mr. Chairman, I should like to call attention—

Mr. LESAGE: I should not like to be interrupted at this point.

Mr. MERRITT: I am interrupting on a point of order. I think this a very important point and I should like to know what personal knowledge this witness has concerning the matter. Perhaps it will be preferable to have the general manager here.

The CHAIRMAN: I think you will appreciate there is a point in examination when it becomes relatively ineffective if one is not allowed to proceed. I believe the point you make can be followed up later.

Mr. LESAGE: I am aware of that.

The CHAIRMAN: In this committee, we are not confined to non-hearsay evidence.

Mr. MERRITT: So, we are going to accept hearsay evidence.

The CHAIRMAN: Then, we can follow it up.

Mr. LESAGE: I will take account of your remarks in my question. Do you know what the conversation was between Mr. Beebe and Colonel Ruttan?

The WITNESS: No, sir, other than what I told you; that was the crux of the matter, as I understand it.

By Mr. Lesage:

Q. From your general manager?—A. Yes, sir.

Q. I understand Colonel Ruttan expressed an opinion that it would be better for the trade in general if you would come in line with the others?—

A. That was my understanding, sir.

Q. Of the conversation between Colonel Ruttan and your general manager?—A. That is right.

By Mr. Pinard:

Q. Did you have the same representations from the milling companies?—
A. No.

Q. Were you present at the conversation between Colonel Ruttan and your manager?—A. No, sir.

Q. It was reported to you by your manager?—A. That is right.

Q. Can you recall the type of conversation you had with your general manager?—A. Well, it was to the effect, as I have just stated, that we were demoralizing the industry. What the actual structure of the sentences used was, I do not know. I mean, that was the idea that Mr. Beebe wanted to get across to me. Other than that, I have no further knowledge.

Q. Was this representation renewed after that on other occasions?—A. I believe Mr. Ruttan later called on Mr. Capstick, our sales manager.

Q. Of your firm?—A. Yes.

Q. In Toronto?—A. Yes.

By Mr. Lesage:

Q. Would that be in January or February?—A. Shortly after the first time.

By Mr. Pinard:

Q. In what way did he renew his representations, if he did?—A. I think the conversation or the purpose of the visit was exactly the same as the first one. I do not think there is anything additional to be added, so far as I know.

Q. Did it take the form of some sort of threat on the second occasion?—
A. I was not present at that conversation either.

Q. It was again reported to you by your manager?—A. It was reported to me. I talked to Capstick about it in a casual sort of way.

Q. Would you recall the approximate date of the second representation by the Ontario Bakers Association?—A. I would rather not. I can get the dates very readily.

Q. You say it was in February?—A. I would rather not try to answer that, but I will get the dates if you wish them.

Q. Now when was the last representation made or was there another one besides?—A. No, sir, there was not.

By Mr. Lesage:

Q. The other things you had were telephone calls and you had some conversation with people in the baking business and they would make a joke, that is what you said; they would joke and say "When are you going to get in line with our prices", is that correct?—A. I would say that may have happened, Mr. Lesage, but I mean I attached no importance whatsoever to it.

Q. No.—A. And neither does our company, to any representations that the price be advanced, and consequently, having a few other things to remember—

Mr. JOHNSTON: You did not increase your price?

The WITNESS: No sir.

Mr. LESAGE: Of course you say you do not attach much importance to it because you had the same representations on other commodities, representations by conversation, and that is the only one question I am going to put on that matter.

Mr. MACINNIS: Is there an answer?

By Mr. Lesage:

Q. You had representations with regard to other commodities; I infer that from what you said a moment ago?—A. From other manufacturers?

Q. Yes, of other commodities?—A. Of other commodities.

Q. Yes.—A. That is true.

Q. I do not think we should go into that field very far, as we are dealing with bread.

The CHAIRMAN: Just keep to bread.

By Mr. Lesage:

Q. Now what was your reaction to the contention of Colonel Ruttan that you were demoralizing the industry?—A. Well, I do not believe I can answer the question very intelligently without seeing some figures. I have not noticed any of the bakers suffering to any great extent over the past year or so, from the statements I have been able to examine.

Q. That is exactly the answer I want.

Mr. CLEAVER: From the profit you are making you would assume they are making quite a profit?

Mr. PINARD: Now on this line of questioning, I want to be fair—

Mr. HOMUTH: Mr. Cleaver cannot put words in the witness's mouth.

Mr. PINARD: Did you have any representations from the other chain stores, officially on this same thing?

The WITNESS: No, I did not.

Mr. HOMUTH: Is this conversation just going on down there?

The CHAIRMAN: Would you speak a little louder; Mr. Homuth and I are having difficulty in hearing.

Mr. HOMUTH: We are ordinarily intelligent but we cannot take a thing out of the mist.

Mr. PINARD: Just one more question, these calls you have received from the bakeries—

The CHAIRMAN: A little louder, please?

By Mr. Pinard:

Q. All right, these calls you have received from the bakers certainly were no anonymous were they? You must recall one of those bakers calling you?—A. I do not know. They might have happened on the golf course, for instance.

Q. Yes, or even there.—A. We were, apparently, the source of some amusement among the other bakers.

Mr. JOHNSTON: Not in playing golf?

The WITNESS: And I would say any remarks by the bakers were made in the nature of what I would call kidding, and not serious representations; not in any way an inducement to try and get us to raise the price.

Mr. LESAGE: The only instance that you remember would be Colonel Ruttan's visit?

The WITNESS: That is the only one I know of.

Mr. LESAGE: Seriously?

The WITNESS: That is right.

Mr. PINARD: Do you not think representations made for instance on the golf course are sometimes more pressing than ones made by correspondence or telephone calls?

Mr. HOMUTH: It depends entirely on the score at the time.

The CHAIRMAN: Was it at the nineteenth or the eighteenth hole?

By Mr. Lesage:

Q. That is my question to the witness; and is it not a fact those representations are much more serious?—A. Not to me. When I play golf, I play golf.

Q. I am talking about the other fellow?—A. I would not know how he felt about it.

Mr. PINARD: You cannot recall who those persons were in the foursome?

The WITNESS: No.

By Mr. MacInnis:

Q. Mr. Bird, I understand you have been experimenting with the 14-cent loaf?—A. Yes, sir.

Q. When did the experiment begin, before or after Colonel Ruttan called?—A. You are asking me to date that call again and I really cannot. I can give you the dates we started the experiment but I would rather check on the dates of the call. I am not sure of that, honestly.

Q. Well— —A. Roughly, I would say, we were making the 14-cent experiment before we received any call from Colonel Ruttan.

Q. That is your impression?—A. That is my impression.

By Mr. Merritt:

Q. Mr. Bird, what was the date you started on the Christie's bread experiment?—A. I have it here somewhere. In Toronto the first date we handled Christie's bread was December 18, 1947 and, in Montreal it was February 7 that we started with the Pride of Montreal loaf.

Q. And you called it an experiment; what do you mean by that?—A. We were attempting and we are attempting to find what the consumer's preference is for advertised brands of bread at the established price.

Q. So it is entirely a question of comparing your quality at 10 cents with the quality of another loaf at 14 and seeing which comes off best?—A. Yes.

Mr. JOHNSTON: Is there any difference?

The WITNESS: Well, I would like to say that actually it has nothing to do with our own bread. It is merely an attempt to see whether we are losing any sales by confining ourselves to our own brand and not including some of the brands that are well advertised. It is an experiment such as we might make in coffee or any other commodity.

By Mr. Merritt:

Q. Do you advertise Christie's bread?—A. No, sir.

Q. Do you advertise your own bread?—A. Yes, sir.

Q. Prominently or along with other commodities?—A. Along with other commodities.

Q. What volume of Christie's bread are you selling? And how is the experiment getting along?

Mr. JOHNSTON: Not very well for Christie's.

The WITNESS: I would say that to date it has not been terribly successful. In the two stores where we handle Christie's it is 8.40 per cent of the total bread sales. In Montreal it is 1.3 per cent of the total bread sales in the stores where we have the bread.

By Mr. Merritt:

Q. There has always been your own loaf there for purchase right up to closing time in those stores?—A. Yes sir.

Q. Do you mark the price of your own bread on the wrapper?—A. No, sir.

Q. Do you sell your own baked bread to any stores but your own?
—A. No, sir.

Q. You never have. Now there are no sales costs at all in your bakery?
—A. No, sir.

Q. You sell here your loaf baked in Montreal? You sell it in Ottawa do you?—A. Yes, we do.

Q. And what is the cost of laying it down here, in Ottawa? I think you gave the figure yesterday for Toronto.—A. Well, as far as the transportation charges are concerned and our method of accounting is concerned, it is entirely an expense item. I think I broke the expenses down yesterday by saying 28 cents per hundred weight in both units, both in Toronto and Montreal.

Q. And what in Ottawa?

Mr. CLEAVER: 26 cents.

The WITNESS: That is an average of all, but I do not know what the rate to Ottawa would be. Ottawa is included in that figure but it is the average transportation figure.

Mr. CLEAVER: I believe you said the cost per loaf was .42 cents.

The WITNESS: That is right.

By Mr. Merritt:

Q. So that what you mean is that is an average cost to your warehouse, so to speak, for distribution to all your stores in Ontario?—A. That is correct, with the exception of the four northern points.

Q. With the exception of the four northern points.

By Mr. Lesage:

Q. Does it include the freight or express charges to Quebec, for instance?—

A. In Montreal it includes all stores shipped to from the Montreal unit.

Q. To Quebec stores?—A. Yes, they would be included.

Q. In that cost?—A. Yes.

By Mr. Merritt:

Q. So that the figure of point 4 something of a cent being an average, I take it the volume of delivery is much greater in Toronto and Montreal, the metropolitan areas, than it is in Ottawa? Is that not correct?—A. I would have to check the figures, Mr. Merritt. We have some fairly substantial stores in Ottawa.

Q. Would you say you sold as much bread in Ottawa as in Montreal?—

A. In the city of Montreal, as compared with the city of Ottawa?

Q. Yes?—A. My guess would be we do not.

The CHAIRMAN: Would it be a fair statement to say in an Ottawa store you sell as much as 1,800 loaves of white bread in a day?

The WITNESS: That would be an average, Mr. Chairman; that is a good average.

By Mr. Merritt:

Q. How many Ottawa stores are there?—A. Seven—six or seven.

Q. How many in Montreal?—A. I think it is eleven. I gave the figure yesterday.

Q. Oh, I am sorry.—A. Possibly I did not give it, but I believe it is eleven.

Q. So the actual cost of laying down a loaf in Ottawa, the transportation cost from the bakery platform to the store would be greater, would it not, than .42 cents, which is the figure you gave yesterday for the average?—A. To Ottawa?

Q. Yes.—A. No, I do not think so. Ottawa would be about average.

Q. Do you mean to say it costs no more to deliver bread to an Ottawa store than it costs to deliver to a Montreal store?—A. Perhaps I misunderstood the question. I thought you said Ottawa would cost more than average.

Mr. CLEAVER: More than .42.

By Mr. Merritt:

Q. Yes, more than .42?—A. No, I do not think that is true.

Q. You do not think it costs more than the average?—A. No.

Q. Have you ever worked that out?—A. No, we have no accounting system that does that. This is a figure based on all groceries and bread shipped, and actually to try and break down the cost of shipping bread would be highly improbable or impossible as far as we are concerned, because certain items take up more room, certain items are heavier and harder to handle, and certain items turn over more slowly.

Q. .42 is itself just an estimate; it is not an accurate computation?—A. I would say it is just an estimate.

Q. Now to what points do you deliver bread from Montreal which are further away than Ottawa?—A. Quebec city for one.

Q. Any others?—A. Three Rivers, and to some stores in the Ottawa valley.

Q. Now what other things besides bread does your company make for your stores in Canada?—A. Manufacture?

Q. Yes.—A. Of our own manufacture?

Q. Yes.—A. We roast our own coffee, we blend our own tea, manufacture our own mayonnaise, print our own butter—I do not think I have forgotten any.

Q. Yes. Do you do that, incidentally, through A & P stores which you represent, or through a different company which is related to the retail company?—A. No, it is just a manufacturing operation, the same as the bakery, as far as we are concerned.

Q. And is a part of the retail outlet entirely?—A. Yes.

Q. What other produce or groceries do you purchase direct from the stores, and what other commodities, as opposed to purchasing through wholesale?—A. We do very little merchandising through wholesale.

Q. You buy mostly from the stores?—A. That is right.

Q. And you buy through companies which are part of your A & P organization and which presumably are not available to other retail stores; is not that the method of working in the A & P Stores?—A. No, sir; not here. I thought you had reference to the general grocery line. We buy direct from manufacturers like Kellogg's, Quaker Oats, and so on. Is that the type of item to which you refer?

Q. You gave a list a moment ago of various goods which you purchased yourself direct from source?—A. Which we manufacture ourselves.

Q. And which you manufacture yourselves?—A. Yes.

Q. Of course, there are many proprietary lines such as Quaker Oats, which you get from those suppliers?—A. Yes.

Q. Then in addition there is a large volume of produce, meat and things like that, isn't there; how do you obtain those goods?—A. We buy our meat through the various packing houses, some in the west and some from the east.

Q. From the ordinary suppliers?—A. Yes, sir.

Q. Do you pack any meat yourselves?—A. No, sir.

Q. Now, what about vegetables and that kind of produce?

The CHAIRMAN: Mr. Merritt, if you don't mind; do you think that under our reference and what we have on hand that is relevant or desirable at this stage? You may have some reason behind that.

Mr. MERRITT: I thought I had, Mr. Chairman.

By Mr. Merritt:

Q. What about things like vegetables and fruits and things of that kind; do you purchase them from wholesalers or do you purchase that kind of thing direct from source?—A. We buy them direct from source, also from wholesalers on the street.

Q. And in what volume?—A. Rather substantial.

Q. I mean in what percentage volume as between purchases from wholesalers and direct from producers?—A. I am afraid I cannot break that down for you right now.

Q. What about butter? Where do you get that?—A. We buy our butter direct from source, most of it.

Q. Direct from source?—A. Most of it.

Q. Is it not your deliberate policy in the A & P Company to make as little profit as possible on the retail?—A. I would not say as little profit as possible. I would say we attempt to sell merchandise as reasonable as we possibly can and making what we consider a desirable margin of profit.

Q. Mind you, Mr. Bird, I am not criticizing the method you follow.—A. I understand.

Q. The Great Atlantic and Pacific Tea Company is a very great organization. It does not go right to the Pacific yet but I hope one day it will; but is it not so, that the company as a whole as a deliberate matter of policy tries to cut its profit margin on retail outlets down to as negligible proportions as it can?—A. I do not agree with that statement.

Q. And if you bring lower prices to the consumer, then more power to you. I suggest to you that a comparison between your margin of profit and the margins of profit of other chain stores or any other store in the business is therefore not a fair way to judge other stores.

Mr. CLEAVER: He was asked for those profit figures, Colonel Merritt, when we have them we can go into that.

Mr. MERRITT: I would like the witness to answer my question.

The WITNESS: Would you state it again, please?

By Mr. Merritt:

Q. I suggest to you that since your method of merchandising is different from that of other retail and grocery chains or independent stores and since as a matter of deliberate policy your retail profit margin is cut to the bone a comparison between your profits on your retail stores and the profits of any other store in Canada is not a fair way of judging the profit margin of the other stores?—A. I do not think I would agree to that, Colonel Merritt. I see no reason why any other chain store cannot compete with us. They have the same facilities for doing business as we do.

Q. Well, of course, that is the point, Mr. Bird. If the retail store purchases through the usual trade channels and has not your facilities then it must make all its profit on its retail business, must it not?—A. I think our buying is done on exactly the same basis as the other two competing chains in Canada.

Q. You mean the other two competing chains?—A. With one or two very small exceptions which would be lost in the final analysis of the figures.

Q. Therefore, you mean that the other two competing chains have the same means of purchasing their supplies as you do?—A. Exactly.

Q. They assemble their own supplies in the same manner as you do, generally?—A. That is right.

Q. And do you know if it is their policy to make as little profit as they can manage on their retail outlets?—A. I am afraid I would not know.

Q. You would not know?

Mr. CLEAVER: I would say on the whole they are doing fairly well from what I have seen of their balance sheets.

By Mr. Merritt:

Q. They are doing better than you from the look of their balance sheets. Have you seen their balance sheets?—A. I have not seen all of them and I have not studied them very closely.

Q. From what you know they do earn considerably greater profit from retail operations than you do; is that not so?—A. That seems to be the case.

Q. That might be just a difference in policy on the part of those other chains?—A. It is a matter of opinion, I suggest.

Q. Yes, and it might be a matter of deliberate policy on their part.—A. I would no say.

Q. You mentioned this time when Colonel Ruttan called on your general manager and told him that in his, Colonel Ruttan's, opinion the A. & P. was demoralizing the industry; do you know if those words were used?—A. Oh no, I don't. I was not there. The word which was used in passing it along to me was that is what Colonel Ruttan said on that. I would not know.

Q. Did your general manager tell you upon what Colonel Ruttan made his tremendous charge?—A. No, but I judge it is on the basis of the 10-cent retail. Other than that, I do not know.

Q. But it did relate to the matter of bread?—A. Yes, sir.

Q. And you judge it was a matter of price only to which he was referring?—A. I would think so.

Q. But you have no information of your own knowledge as to that?—A. No, I have not.

Q. You said, I believe, that you did not notice that the other bakers suffered; did you say that in answer to Mr. Lesage?—A. Yes, I believe I did.

Q. That remark, of course, is not based upon any study?—A. No, it is not.

Q. —Of individual earning or anything like that?—A. No, it is not.

Q. That is just?—A. It is just a general comment based on what I hear around the trade and what I pick up myself by reading.

Mr. MACINNIS: By looking at the balance sheets; is that it?

The WITNESS: Oh, I might have looked at the odd one. Yes.

The CHAIRMAN: I think you referred to the report of one company in particular.

The WITNESS: I did not intend to make it appear that way. I am not referring to any particular company or to any particular group of companies, just from what I know about it generally—general opinion; and the information you get from being around, I guess.

Mr. MERRITT: And a certain amount of confidence in your own business.

Mr. JOHNSTON: I would like to ask a few questions, Mr. Chairman. In respect to Colonel Ruttan at the time he visited your office did you know that he was an official of the Wartime Prices and Trade Board?

Mr. PINARD: He was not at that time.

The CHAIRMAN: He was then with the Canadian Bakers Association.

Mr. JOHNSTON: I am talking about the time he visited your office.

The WITNESS: I knew that he formerly had been.

Mr. JOHNSTON: Yes.

The WITNESS: But I understand that he said his present occupation was representing the Ontario Bakers Association.

Mr. HOMUTH: That was the statement of Colonel Ruttan?

The WITNESS: Yes.

By Mr. Johnston:

Q. And his efforts at that time I take it were to get you somewhat nearer the prevailing rate?—A. As far as I know.

Q. You spoke a moment ago about having a meeting with Mr. MacKinnon?—A. Yes, sir.

Q. Which Mr. MacKinnon was that?—A. The Honourable James, I think.

Q. That had to do with bread, did it?—A. Yes, sir.

Q. What did that have to deal with?—A. I think a representation was made to the Hon. James MacKinnon that we were selling bread below cost.

Q. And he called you in to discuss that?—A. That is right.

Q. What was the tenor of that conversation?—A. It was in 1941, and I know that we just presented our figures and I think that was about the end of it as far as I remember.

Q. I suppose the feeling was that you were selling bread at a cheaper rate than others. That would have a bearing on it? As a matter of fact, that would be the purpose of calling you in, would it not?—A. No. I think the representation was made that we were selling below cost. I think that was the reason for calling us in. I think it was a question of the retail price of bread.

Mr. LESAGE: It would be a representation to the effect that you were employing unfair practices in the trade. It would come to that.

Mr. IRVINE: Yes.

The WITNESS: That we were selling below cost.

Mr. LESAGE: Yes, the established cost; and you then gave figures showing that you were not selling at a loss and that was the end of it?

The WITNESS: That is right.

Mr. JOHNSTON: That is what you think.

Mr. LESAGE: That is what the witness says.

Mr. JOHNSTON: We will get it from the witness.

Mr. HOMUTH: Would you like to talk up here, because some of us would like to be in on this thing.

By Mr. Johnston:

Q. Mr. MacKinnon was a minister of the government at that time?—A. Yes.

Q. He called you in to discuss the question of whether or not your company was indulging in unfair trade practices in so far as he thought you were selling it below cost?—A. I believe that is correct.

Q. And you presented figures to him which convinced him that you were not indulging in unfair practices?—A. I think that is correct.

Q. And you think you were successful in satisfying him?—A. That was in 1942.

Mr. IRVINE: And you have not heard about it since?

The WITNESS: I have not heard about it since.

By the Chairman:

Q. Is it not a fact that in the price spreads committee your company was charged—perhaps that is not the word—it was said that your company was

paying wage levels away lower than anyone else so you were said to be selling below cost? Isn't that right?—A. I do not know that I just got the whole of your question.

Q. In the price spreads committee of 1934 it was alleged that your company was selling under cost because of the low wages you were paying?—A. That may have been alleged, Mr. Martin.

Q. I am not saying it is a fact, but that was alleged. That is my recollection of the report of the committee?—A. I believe that is so.

Mr. JOHNSTON: Did this take place before or after Mr. MacKinnon called you in on this charge that you were not paying your employees enough?

Mr. LESAGE: That was in 1934.

Mr. JOHNSTON: I am asking the witness.

The WITNESS: It was before.

By Mr. Johnston:

Q. It was before?—A. Yes.

Q. Then it would not have had anything to do with this meeting which Mr. MacKinnon called, would it?—A. No, sir, I would not think so.

Q. I would not think so either. I do not see why it was brought in, but you thought to the best of your knowledge you satisfied the minister in regard to these unfair trade practices?—A. I think so.

Mr. HOMUTH: Alleged unfair trade practices.

Mr. JOHNSTON: We will put it that way.

Mr. HOMUTH: Put the word "alleged" in there.

Mr. CLEAVER: Non-existent.

Mr. HOMUTH: I am not saying non-existent. That is a different word.

By Mr. Johnston:

Q. Are you paying now about the same level of wages as other bakers?—A. I believe I can make this statement with some accuracy, that our average scale of wages in the bakery is higher than the rest of the industry.

Q. Yet you are able to sell below them. That would be good management, take it.

Mr. WINTERS: High production.

The WITNESS: Possibly you could say that.

By Mr. Johnston:

Q. Was the question of selling price ever discussed with you at Mr. MacKinnon's meeting?—A. I do not remember.

Q. Well, selling below cost was certainly mentioned?—A. That might be assumed, but I really do not remember the situation at all.

Q. Did you ever make any report to your office or your manager on that or to anyone in your office?—A. Yes, sir, I believe I did.

Q. Would you have a memorandum on that?—A. I have not anything with me, and I do not know that I have any.

Q. Would you make a search and see?—A. I would be very glad to look.

Q. If you have any memorandum or other information that you can get could you be prepared to give it to the committee?—A. Yes, sir.

Q. I think you did say when that meeting was, did you not? I do not recall the date just now.—A. 1941.

Q. You do not know the month? I think you said Colonel Ruttan called to your office about January but this MacKinnon meeting—A. This is in 1941.

Mr. PINARD: Seven years before. I do not want to interrupt but on the other hand I am wondering whether this meeting in 1941 has any bearing on the inquiry going on here.

Mr. JOHNSTON: It has this bearing, that a cabinet minister called him in and asked him about selling bread at the price that he was selling it.

Mr. LESAGE: Colonel Ruttan had nothing to do with it.

Mr. JOHNSTON: You have inferred something that was never mentioned here.

Mr. LESAGE: You mentioned it.

Mr. JOHNSTON: When I want your advice I will ask for it.

The CHAIRMAN: Could we have the same brotherly spirit we have had before?

Mr. JOHNSTON: Absolutely, provided it is mutual.

The WITNESS: May I clear up a little misunderstanding? I think I said we were called before the Hon. James MacKinnon at the request of the National Bakers Association.

By Mr. Johnston:

Q. You were called together before that?—A. At their request.

Q. Oh, at their request, and they were there, too, were they?—A. I believe they were.

Q. Can you recall any others who were at that meeting?—A. No, sir. As a matter of fact, I believe either Mr. Sparks or Mr. Morrison was there. I cannot remember which.

Q. One or the other was there?—A. Yes, maybe both.

Q. And you are going to look and see if you have any memorandum?—A. I will.

Q. You would not know of any other large bakers who were present at that meeting?—A. No, sir.

Q. The names of the companies they represented?—A. No. I do not think there were any others there to my knowledge; to the best of my memory I do not think there were any others.

The CHAIRMAN: You may have something in mind that is not apparent to me, but do you think that this is directly with regard to the recent rise in prices?

Mr. JOHNSTON: I think it has something very definite to do with it because if you wish me to remind you in the evidence the other day Colonel Ruttan was at a meeting where the price of 13 cents was established.

The CHAIRMAN: That was in September last.

Mr. JOHNSTON: We find Colonel Ruttan—

The CHAIRMAN: This is 1941.

Mr. JOHNSTON: We find Colonel Ruttan calling on another company and discussing prices.

Mr. PINARD: That is recently but this is 1941.

Mr. JOHNSTON: In the first instance we had a representative of the Wartime Prices and Trade Board who met the bakers, and it was at that meeting, and at the instigation of the Wartime Prices and Trade Board that the 13 cents came about. Now then, we have an indication here, and I use that word advisedly, that another government representative consulted with the bakeries.

Mr. LESAGE: Oh, no.

Mr. JOHNSTON: Oh, yes, consulted with the bakeries. We have not definitely found out the express purpose.

The CHAIRMAN: Assuming those to be the facts what has that got to do with the recent rise in the price level?

Mr. JOHNSTON: If the witness is able to produce a memorandum as to the discussion at this meeting it may have a very material effect. It will depend on that. I am willing to leave that point until the witness ascertains whether or not he has a memorandum on it. I was trying to get the information from him but he does not recall it.

By Mr. Johnston:

Q. Other than you have mentioned, you do not recall any of the bakers who were present at that meeting?—A. No, I do not.

Q. Do you recall any other time when there was a meeting or when there was a discussion on this matter with any official of the Wartime Prices and Trade Board other than Colonel Ruttan in January?

Mr. LESAGE: I do not think that is fair. Colonel Ruttan in January was not an official of the Wartime Prices and Trade Board.

Mr. JOHNSTON: I did not say he was.

Mr. LESAGE: That is what the question implied.

Mr. JOHNSTON: You imply what you like.

Mr. LESAGE: I will ask the reporter to read the question again.

Mr. JOHNSTON: I asked the witness if he had any other meeting with an official of the Wartime Prices and Trade Board other than the meeting at which Colonel Ruttan was present.

The CHAIRMAN: There is no evidence before this committee that Colonel Ruttan, as an official of the Wartime Prices and Trade Board, was at any meeting with this witness.

Mr. JOHNSTON: The witness has stated that and I particularly excepted that meeting of Colonel Ruttan's in January. I do not see what Mr. Lesage is getting all excited about.

Mr. LESAGE: I am not getting excited but I think Mr. Johnston should be fair in his question. Colonel Ruttan in January was not an official of the Wartime Prices and Trade Board.

Mr. JOHNSTON: If I am not fair the witness will say so because he is the man who has the responsibility of answering the questions, not you.

Mr. LESAGE: He is not here to judge the questions.

Mr. JOHNSTON: Neither are you.

Mr. LESAGE: Yes, and you may do the same for me.

The CHAIRMAN: Order.

By Mr. Johnston:

Q. Could I get the witness to answer the question? Was there any other meeting at which he was present where this type of discussion took place in regard to the price of bread or unfair practices where there was a Wartime Prices and Trade Board official present?—A. No, sir.

The CHAIRMAN: Counsel is anxious to get on with Mr. Steinberg unless the members of the committee have any further questions to put.

Mr. MERRITT: I have.

By Mr. Merritt:

Q. Mr. Bird, was your organization a member of the National Council of Bakers?—A. No, sir.

Q. Were you invited to become a member?—A. I could not answer that. I really do not know. It certainly would not come through me if we had an invitation. That would be something we would get for nothing.

Q. Are you aware the National Council of Bakers was formed in 1941 at the request of the Wartime Prices and Trade Board?—A. No, sir, I am not aware of that.

Q. Have you any record which would show whether you were invited to become a member then?—A. I do not think so.

Q. I wonder if we could find that out.—A. I would be glad to look, but I would doubt it very much.

Q. Whether you were invited to become a member and what your answer was. Will you do that?—A. Yes, sir.

The CHAIRMAN: Mr. Winters, have you some questions?

Mr. WINTERS: My questions relate to cost. I believe we will have to call Mr. Burdon for that. If there are any others for Mr. Bird I would be glad to wait.

By Mr. Pinard:

Q. I should like to ask a few questions on how you establish your margin of profit in the grocery business? You told us yesterday that a margin of profit is established on each particular commodity and is based on the turn-over of each item. Is that correct? In other words, if the turn-over is considerable the margin is lower; is that correct?—A. I believe I said that was general in the grocery trade.

Q. It would be general in the grocery trade?—A. I think so.

Q. If I am not mistaken you also said that bread was a very fast selling commodity and that you were satisfied with a 10 per cent margin.—A. One of the fastest.

Q. And that you were satisfied with a 10 per cent margin of profit on bread?—A. Yes.

Mr. HOMUTH: Did he say satisfied or contented?

The WITNESS: Yes, sir.

By Mr. Pinard:

Q. You also gave a list of the margins of profit on other fast selling item which would compare, in my opinion, to the lists already given by other chain store organizations except for bread. That is where my question arises. For instance, if I refer to exhibits 19 and 20, exhibit 19 was filed by Loblaw Groceries Limited. If I look at the exhibit I find that on Canada bread loaves sold by Loblaw Groceries Limited the margin of profit in January, 1948, is 26 per cent. If I look at exhibit No. 20 filed by Dominion Stores I find that the margin of profit on General Bakeries, Christie's and Weston's bread is 21 and 17.9. I also want to add that when we heard Mr. Meech testify for Loblaw Groceries he told us at one time that he thought a 28 per cent margin of profit on bread was reasonable. I am trying to reconcile that with your own view that in the grocery business the margin of profit should be lower when the turn-over is considerable. Would you care to comment on that?—A. As far as anything previous witnesses have said is concerned I think it is largely a matter of opinion. We feel that bread is one of the fastest turning over lines we have and as such should be sold on a comparative profit basis with the balance of the staples as is general in the grocery trade.

Q. For instance, we were told that Loblaw Groceries operate 115 stores in Ontario.—A. Yes, sir.

Q. If I remember correctly they do not operate any in Quebec. Your organization operates 123 stores?—A. That is correct.

Q. In Canada. Therefore I think we could compare both situations and be fair in our conclusions. You have told us in your opinion a 10 per cent margin represents a fair and reasonable profit for bread because it is a fast selling type of merchandise. I would feel that is correct. What would be your comment on that? Would you care to make any comment? I do not want you to be unfair to your competitors, but it would seem to me there is such a considerable difference in the two instances that as a man experienced in business you might give us your opinion on it, or any comments you have.—A. I think everybody operating in business is entitled to their own opinion, and also probably has different views as to how their business should be operated. I am basing my conclusion only on our own figures and not on those of anyone else. If somebody else has an opinion that 10 per cent is too low then it is just a difference of opinion. If somebody thinks 28 per cent is not high enough that also is a difference in opinion. In so far as we are concerned we would be quite content, and I think our figures will substantiate the fact, that our gross profit on bread pretty generally runs fairly uniform.

Q. I do not want to pursue this line of questioning too long, but you gave us a percentage yesterday as to your gross margin on the whole of your business. If I recall your gross profit percentage was 13.67?—A. I believe that figure is correct.

Q. Your net profit was .099, is that correct?—A. That is correct.

Q. That is for the whole of your business, both in the United States and Canada?—A. No, sir, that is for Canada only.

Q. Now, again trying to compare that, because we are here to do that, with what was given as the margin of profit by the two other chain stores, I find that, for instance, in the case of Loblaw Groceterias their gross margin of profit was 2.27?

Mr. LESAGE: Their net margin?

Mr. WINTERS: Are they related to the same basis?

By Mr. Pinard:

Q. They are. I find this on page 395 of the evidence and I am going to read it.

By Mr. Irvine:

Q. You would not care to answer the question put by Mr. Cleaver, would you?—A. No, I have not got that information, sir.

Q. But your net profit on your entire business is 2.27 per cent; that is correct?—A. Yes, that is correct.

Now, we were also told what it was in the case of the Dominion Stores. I find this on page 437 of the minutes of evidence. There, it is stated the Dominion Stores's margin, on the same basis, is 1.86. Again, I find a considerable difference between their margins of profit, net and gross, and yours. It is hard to reconcile that with the opinion you have expressed that, on fast selling items, the margins should be lower, while the margins given by the other chain stores were considerably higher.

I should like to get your comment, if you care to make any, without being unfair, as to the general situation as expressed by these three figures.

Mr. MACINNIS: On a point of order: I do not think we have a right to press the witness to comment on the margin of profit of any other company. I think it is something he knows nothing about and it is really none of his business. So far as we are concerned, if we do not like the margin of profit the others are making, then we can comment on it. I do not think we should press the witness to comment upon it.

Mr. PINARD: I am not insisting on this except that we have been given an opinion by the witness that a certain margin of profit should be established in the grocery retail business. He gave an opinion on the basis of his experience in that business and it is on that basis I am trying to get his opinion.

Mr. HOMUTH: I agree with Mr. MacInnis. Furthermore, there are no two firms in a country who work out their balance sheet on the same basis.

Mr. WINTERS: That is the question I raised on this point.

Mr. HOMUTH: Unless you could take those balance sheets and have our accountant compare the balance sheets and compare the method of arriving at the net or gross profits, you cannot, before this committee, make a comparison of the net and gross profits. You have to compare the methods of figuring out the balance sheets.

Mr. CLEAVER: The net after taxes is the net after taxes, whether it is A company or Z company.

By Mr. Pinard:

Q. I will just put one more short question. Could this be explained only by the volume of business, in spite of the fact Loblaw Groceries and your organization operate the same number of stores in Canada?—A. Will you say that again, please?

Q. Would the explanation of that situation be because of the volume of business of your organization as compared with Loblaw's and Dominion Stores, in spite of the fact that you operate the same number of stores in Canada?—A. I think you have the volume figures of all three chains, so need I—

Mr. MERRITT: Have you finished?

Mr. PINARD: I do not know whether the witness has finished his answer.

The WITNESS: I was going to say no more. I should like you to draw your own conclusions from the volume figures which you have. I do not know how I can add anything to the situation. I do not know how to comment upon it.

Mr. IRVINE: You are quite willing to allow your figures to speak for themselves?

By Mr. Merritt:

Q. This brings me back to the line of questioning to which I was directing your attention a moment ago. You told me, I think, it was a matter of deliberate policy on the part of your company to keep its profit margin on your retail operations down as low as you could; is that not correct?—A. No, I would not say that, Mr. Merritt. I think the company's ideas on profits are reasonable and fair. I do not think they are trying to keep them as low as they possibly can. It is a question of trying to make a reasonable profit.

Mr. PINARD: That is exactly the answer I wanted.

By Mr. Merritt:

Q. You said, in answer to Mr. Pinard's question, that whether a 28 per cent gross margin or a 10 per cent gross margin was a proper margin on bread was a matter of difference of opinion, I think?—A. Yes.

Q. Now, I come back to my point. I might say I have read your article in *Fortune*. Would you not say it is not a difference of opinion at all but, in the case of your company, your low margin of profit is a matter of deliberate policy; is that not correct?—A. Well, the difference of opinion might be in the method of operating the business.

Q. But if you only make a 10 per cent gross margin on your bread, that is a matter of deliberate policy followed by your company on every line in your retail stores?—A. We suggest our own prices, yes.

The CHAIRMAN: What was the answer?

Mr. MERRITT: He suggests his own prices.

By Mr. Merritt:

Q. It is your purpose, and a very creditable purpose, to sell to the consumer at the lowest price you can possibly sell; is that not correct?—A. That is a fair statement.

Q. I suggest to you that the profit that is made by the subsidiary retail outlets for the merchandise assembled by the whole organization is not an important factor in the operation of the whole organization; is that not correct?—A. That is correct.

Q. The A & P Company over all—again, I am referring to the article known as “Grandma”—makes its operation successful by buying from the source of supply at the cheapest price it can obtain goods?—A. Consistent with quality.

Q. And by good management and by-passing wholesale markets and things such as that, thus enabling you to bring coffee from Brazil to the store in Ottawa with every possible economy; is that not correct?—A. I would say that is relatively true.

Q. I suggest to you that a firm of grocers who did not have, perhaps due to their own fault, the direct source of supply which you have and who are not subsidiaries of supplying companies, must make their whole profit on their retail operation whereas your company is not obliged so to do; is that not correct?—A. I should like to qualify that to a certain extent, Mr. Merritt. I think you will find—I judge you are talking about some of our operations in the United States at present?

Q. I am basing my questioning on the *Fortune* article which I have no doubt you have read?—A. Because there are a great many successful chains operating in the United States who are, I might say, exceptionally stiff competition. I think our operation is based on 88 years of experience in the grocery business, and the buying policies tend to help the company. But, at the same time, money is made in the stores and on the retail sales.

Q. I do not want to misunderstand the situation. I am a member of this committee anxious to find the answer to Mr. Pinard's question. Actually, here is a company with a 2·27 net profit on sales and your company with ·099. The Loblaw company, as I understand it from the evidence given is not a subsidiary of anyone and must pay its shareholders a return on their money. Your company is a wholly owned subsidiary and the question of what dividends may be paid on your shares is a matter for determination by your company. That is a very proper situation and I am not complaining about it. I do suggest to you you cannot come before this committee and suggest, under those circumstances, with these two completely different set-ups and say it is fair for me, as a member of this committee, to look at that figure of 2·27 and look at your figure of ·099 and draw conclusions against the Loblaw company? What do you say as to that?—A. Well, I do not know that I can comment on it, Colonel Merritt, other than to say we certainly did not present our figures with the thought of anybody drawing a comparison that would be unsound or odious. We were asked to give our figures. We think they are fair. We think they are good. We think they are right. If someone else has a different idea of merchandising, he is certainly entitled to operate in the manner he thinks best.

By Mr. Johnston:

Q. While your concern is a subsidiary of a larger organization in the United States, are your Canadian stores required to stand on their own feet?—A. Absolutely, we do our own pricing. We are buying our own merchandise. We follow certain general company policies which are set down and which have proven to be good, such as shorter hours.

Q. Even those must show results here in Canada, must they not?—A. Yes, they do.

By Mr. Merritt:

Q. Mr. Bird, perhaps I am not expressing myself in a way that is clear to you. I think we have common ground in the *Fortune* article. But let me ask you again, does it matter to your parent company whether the Canadian subsidiary makes a profit on its operations less than sufficient to pay dividends?—A. The present policy and the merchandising policy of the Canadian company is exactly the same as the company in the United States.

Q. Yes, I am quite aware of that?—A. We have attempted to follow along in the pattern of the United States company due to the fact we feel that with 88 years of experience they know a little bit about the business. I am sure if our profits were not what they considered satisfactory and somewhat comparable to the profits made in the United States, you would have to talk to somebody else next time.

Q. That was not an answer to my question. I think it was you, yourself, who requested at the beginning of your evidence that questions relating to the American company be left out of the picture. I was prepared to abide by that. I agree with it thoroughly. I assure you that your methods of merchandising, so far as you are concerned, are your own business. I was greatly impressed with the good sense of your own company. If you answer me by saying that your profits in your retail outlets in Canada are the same as your profits in your retail outlets in the United States, you will lead me to ask a question as to whether the same policies do not prevail in the retail outlets in the United States where you also try to make as little profit as possible? I am not going to ask you that question because it refers to your United States business but I am going to ask you this question. I will repeat my first question. Is it not a fact that if your retail company in Canada returns a profit to the parent company less than sufficient to provide anything like the ordinary dividend requirements of the parent company, it does not matter a bit to the parent company?—A. I would not be able to answer that, Colonel Merritt.

Q. Well, let me ask you one further question, Mr. Bird. I remember in the article, and I think you will agree with me, at one point it said when the Excess Profits Tax came off in the United States the company was hard put to stop itself making a profit? Do you remember that passage?—A. I have read the article.

The CHAIRMAN: Colonel Merritt, Mr. Irvine sent me a note saying he wants something to read tonight when he goes to sleep. Can you identify this article and the date of it?

Mr. MERRITT: I am afraid I cannot but I could easily obtain it and submit it. Perhaps Mr. Bird could give the date of the article.

The WITNESS: I think it was the November issue if I recollect.

Mr. JOHNSTON: Of what?

The WITNESS: *Fortune*.

Mr. IRVINE: What was the idea of it?

Mr. MERRITT: You read the article. It is a long article and a very interesting one; very flattering to A. & P.

By Mr. Merritt:

Q. I will leave it this way. Having asked the questions I have asked, I feel sure you know what is in my mind. Is it not very unfair to these other competitors in Canada to leave with this committee any idea we can compare the figures of 2·27 and 2·86 with your figure of ·099 and draw any conclusion that the retail profit of the other companies is too high? If you will answer that question I am finished.—A. I would say this, Colonel Merritt. Based on the volume of figures that have been submitted by our competitors here, I do not think it would indicate they are having much trouble in being reasonably competitive. I mean that I think the volume of figures for the number of stores would bear that out.

Q. That is not the answer to my question and you know it is not. You do not have to provide any dividend requirements from your retail stores in Canada, do you?—A. I cannot answer that question.

Q. Can you answer whether Loblaw's have to provide dividend requirements?—A. I believe they do pay a dividend.

Q. You cannot answer whether you do, but you know Loblaw's do pay a dividend?—A. Yes, sir.

Q. And now I put my question once more, and I think it can be answered yes or no by you. Is it fair, under these circumstances, to compare a net profit on sales of 2·27 with a net profit on sales of ·099, having in mind the different circumstances of the two companies?—A. Well I do not believe I should have to answer that question. I think that is up to the committee to decide whether the—

Mr. IRVINE AND SOME HON. MEMBERS: Hear, hear.

The WITNESS: —statements are comparable or whether they are not.

Mr. MERRITT: I was just about to stop my questioning but I heard my friend over here say, "hear, hear", to your answer which impels me to go on because I do not think my friend understands the position between the two companies as I understand it.

The CHAIRMAN: Do you not think that the same observation would apply at this point as when Mr. MacInnis made reference to Mr. Pinard's question? We have the figures of this company and we have the statements of these other companies. It would be for us to ascertain what is the proper basis of comparison. It may be that we will have to send in our own accountants and find, as Mr. Homuth suggested, some uniform basis of comparison.

Mr. HOMUTH: And method of accountancy.

Mr. MERRITT: Mr. Chairman, I think that is the long way around, and I think this witness could help us very considerably if he would. I think I was trying to assist the committee to arrive at a conclusion on that point.

Mr. IRVINE: May I ask Mr. Merritt a question. Is it not just possible the opinion of the witness is that it is a fair comparison, but, in the interest of his competitors, he does not like to say so. Is that not possible?

Mr. MERRITT: Your "hear, hear," is the only thing that makes me go on. I think the witness knows that it is not possible, but I will ask the witness this question. The profit made by the parent companies is made as a matter of policy behind the retail store outlet, is it not?

The WITNESS: I agree it is a matter of policy to make a reasonable—what the company considers is a reasonable margin of profit.

Mr. WINTERS: What does that expression mean, "behind the retail stores"?

By Mr. Merritt:

Q. I would have thought that was clear. I am a very stupid man and I apologize to the committee for taking all this time. The parent company makes its profit on its operations in purchasing, assembling for sale, and processing its goods. Then it sells to its retail outlets, deliberately trying to keep the profit made by the retail outlets down to nothing if it can. Is that correct?—A. Well as far as the Canadian company is concerned, Colonel Merritt, as I think I have outlined, we have very few manufacturing operations with the exception of the bakery, coffee roasting, and mayonnaise, and our profits are made on the retail sales in the stores.

Q. So that the policy is, you now say on your oath, to make a profit on the retail operations, suitable to the capitalization involved? Is that correct?—A. Very definitely.

Q. And the .099 margin of profit satisfies your shareholders?—A. I believe it is considered a satisfactory margin of profit.

Q. Yes, and the shareholders of your company are the A & P company in the United States? It is a wholly owned subsidiary? Correct?—A. That is correct.

Q. Yes, and what margin of profit on the sales of the whole organization is it?

MR. WICKETT: Mr. Chairman, I have no status here, but we are getting into the American company which is not, I suggest humbly this time, before the committee.

The CHAIRMAN: We have previously expressed the view we are only concerned with the Canadian company.

MR. MERRITT: I agree entirely, and to save you, Mr. Chairman, I will say it is the witness himself who has forced me to ask these questions about the American company and I am very desirous that I should not have to ask them. However, the witness is trying, as I understand it, to leave this committee in the position where it can compare 2·27 with .099 as if the two organizations are comparable?

The CHAIRMAN: I do not think this witness is trying to do that, Colonel. I may be wrong but I do not think he is trying to do that at all. I think this witness has been very fair.

MR. JOHNSTON: Hear, hear.

The CHAIRMAN: He has simply given us the facts and he has not asked us to draw any conclusions with regard to any other company. I do not think anything he has said would justify any other conclusion. I may be wrong, and I am in the hands of the committee.

MR. HARKNESS: I think this basic material that Colonel Merritt has brought out in connection with the operation is going to make a big difference in any conclusions to be drawn by the committee. Certainly it will make a difference to me.

MR. IRVINE: It very well might, but that is for future use.

MR. MERRITT: Well, Mr. Chairman, I have only to hope that when my questions and the witness's answers are read they will convey my meaning more readily to the committee than it would seem they have here.

The CHAIRMAN: I think we have appreciated the value of your questioning.

MR. MERRITT: I asked the questions entirely because I am very anxious that we do not produce any unnecessary building in this committee.

The CHAIRMAN: I think we can say we note your remarks with great interest. Now I would like to ask one question. You talk about the source of supply and I take it that the ingredients which go into the bread you make and sell in the stores in Canada are ingredients that are open and available to any other Canadian baker?

The WITNESS: That is perfectly true.

Mr. WINTERS: I would like to ask one or two questions of the witness.

The CHAIRMAN: Of Mr. Bird?

Mr. WINTERS: It may be that Mr. Bird can answer them. My questions are being asked with an eye to the smaller bakers.

By Mr. Winters:

Q. The first question I have to ask has to do with the premises in which the baking operations are carried out?—A. With what?

Q. The premises?—A. The premises, yes.

Q. Are they on a rental basis or do you know? I mean the building in which the baking is carried out?—A. They are on a rental basis.

Q. Is the rental charged against the baking operation?—A. It is.

Q. And can you say what rate per square foot you pay for that?—A. I cannot give you the figure per square foot but I know it would be assessed on the same basis as the rest of the business, in other words whatever was fair to the grocery business would apply to it, and whatever was fair would apply to the bakery.

Q. The proper proportion is borne by the bakery?—A. Yes.

Q. My next question is this. Can you give the committee any idea as to how low your production could drop and yet you could still sell your present loaf at 10 cents a loaf?—A. I cannot answer that.

Q. What I am getting at is your overhead is certainly tied in with your production and you are now at a production of some 1,900,000 loaves a month, or something like that. Your overhead is shown of course to be dropping?—A. I beg pardon?

Q. Your figures on overhead show that it is dropping and that leads me to the next question—whether you answer my previous one or not. Does the size of your operation now permit you to use production equipment which smaller bakers could not justify?—A. I do not believe I am qualified to answer that question. I am told here that the answer is no.

Mr. BURDON: Can we both answer?

Mr. DYDE: Mr. Burdon is still sworn.

Mr. BURDON: Can we both answer?

Mr. DYDE: Yes.

Mr. WINTERS: The size of your operation has not warranted any production equipment that tends to lower your overhead.

Mr. BURDON: No.

By Mr. Winters:

Q. Then, and this is my last question. I think you probably can answer it yourself: Would the ratio of overhead to cost for a smaller bakery be such that these figures on cost presented by you would not be of any real significance for a small bakery?—A. Yes.

Mr. WINTERS: That is all, I think, Mr. Chairman.

The CHAIRMAN: Mr. Steinberg.

Mr. MERRITT: Mr. Chairman, do you mind? I have just one other question I wanted to ask Mr. Bird.

By Mr. Merritt:

Q. Mr. Bird, I think you said your profits were .0099, and not .099.—A. No, the former is correct.

Q. The .0099?

Mr. BURDON: Nearly one per cent.

Mr. LESAGE: That is .09.

Mr. MERRITT: I have three sets of figures now: .99, .099 and .0099.

Mr. BURDON: If you are speaking of percentage it is 99/100ths.

Mr. MERRITT: In other words, less than one per cent, .99.

Mr. LESAGE: .99 of 1 per cent.

Mr. MERRITT: Well, it certainly makes a difference whether it is .0099 or .099, or .99. I think that is what you gave us.

The WITNESS: Well, if I did, I gave it incorrectly and unintentionally. It is 99/100ths of 1 per cent.

Mr. PINARD: That would be .99 of 1 per cent.

Mr. LESAGE: That is what he said yesterday it was, .0099 per cent, which is correct.

Mr. CLEAVER: .99.

Mr. MERRITT: .0099.

Mr. PINARD: That is, less than 1 per cent.

Mr. CLEAVER: Mr. Chairman, Mr. Bird just told me that he has some information which I asked for yesterday. I did not know that it was available.

The CHAIRMAN: All right, let's get it then.

The WITNESS: Possibly you might decipher that. (Passing statement to Mr. Cleaver.)

The CHAIRMAN: You have more information there, Mr. Bird?

The WITNESS: I believe Mr. Cleaver asked for the total grocery gross profits; is that correct?

Mr. CLEAVER: Yes.

The WITNESS: It is .1350.

Mr. MACINNIS: I understood yesterday that we were going to get the financial statement of this company. Has that been filed yet?

Mr. CLEAVER: I wonder if Mr. Bird would be allowed to give us the information which he has. If there is anything lacking, so far as I am concerned, I will ask for it.

The WITNESS: You wanted meat.

Mr. CLEAVER: Yes.

The WITNESS: Meat, .1512. That is gross profit on sales, both are based on sales. I think that is all you wanted. You said total groceries.

Mr. CLEAVER: The other figures are not yet available?

The WITNESS: I think those are the ones for which you asked particularly.

Mr. JOHNSTON: I would like to just remind the witness that he was going to make a search of his files in regard to that memorandum.

The WITNESS: I made a note of that.

Mr. CLEAVER: What I asked for, Mr. Bird, was your gross profit on all of it. I do not want it in percentage form, I want it in dollars.

Mr. BURDON: I am getting that.

Mr. CLEAVER: That is the one you are getting?

Mr. BURDON: Yes.

The CHAIRMAN: What is the reply as to that?

Mr. CLEAVER: The figures are not yet available but they are going to get them.

The CHAIRMAN: That is satisfactory.

Mr. MACINNIS: Following that up, Mr. Chairman, is the committee going to get the same information from this company as the others?

Mr. CLEAVER: I think we should have all the information they are willing to give and look at it and then make up our minds.

The CHAIRMAN: I think, as I said yesterday, at some stage we are going to have to decide whether or not to send accountants to all of these companies ourselves. Counsel is giving consideration to a proposal along that line and may be prepared to express his opinion tomorrow.

Mr. IRVINE: I want to ask a question on that point.

The CHAIRMAN: I just wanted to clear up this point. What we are getting here is statements from witnesses who do not want to disclose full details of their business operation and I think we will have to decide, and I am not saying this sinisterly, what corrected information we may want. We may decide that it is desirable to go in and examine books on a uniform accountancy basis. Members of the committee may want to give special consideration to that and perhaps we will discuss it tomorrow.

Mr. IRVINE: My question was, Mr. Chairman, would such information as we might receive from accountants be brought before this committee and given publicity?

The CHAIRMAN: Yes. Everything the accountants did and presented in the form of a report would have to come before this committee.

Mr. IRVINE: That is all right.

The CHAIRMAN: I presume that if we send our accountants in they would get the information and come here and give it.

Mr. HOMUTH: Mr. Chairman, there are many factors which enter into the question of accountancy. Here may be an old established firm which has already written off all its depreciation. Naturally, they are in one position financially. Here is another company, let us say a new company, with perhaps a modern plant and so on—we have got to figure it out on a common basis of accountancy in order to get the correct figures; but I do not think witnesses before this committee could really give this in as adequate detail as our own accountants could get it for us.

The CHAIRMAN: I think that is correct. What we get here is piecemeal. But as Mr. Homuth says it will be better to have our accountants do that. We will want to consider that in the light of a proposal which counsel has under consideration and will present perhaps tomorrow or the day after.

Now, Mr. Dyde, I understand that you want to put in one more exhibit before we go on with the next witness.

Sam Steinberg, Steinberg's Wholesale Groceterias, Limited, Montreal, called and sworn:

By Mr. Dyde:

Q. Mr. Steinberg, what is your full name?—A. Sam Steinberg.

Q. I am not going to ask you any general questions at all but I think it would be well to put in as an exhibit before the committee rises the figures that you have prepared with reference to your sales in Montreal and with reference to gross margins. Are you prepared to table that?—A. Yes.

Q. Your company is, what?—A. Steinberg's Wholesale Groceterias, Limited, Montreal.

Q. And this statement is a table which you prepared at our request?—A. That is correct.

Mr. DYDE: I will exhibit that.

SPECIAL COMMITTEE

EXHIBIT No. 34: Selling price and cost of bread—Steinberg's, Montreal.

SELLING PRICE AND COST OF 24-OUNCE LOAF (WRAPPED, UNSLICED)
STEINBERG'S WHOLESALE GROCETERIAS, LTD.
ALL STORES IN MONTREAL

	Sept. 1 1947	Sept. 22 1947	Sept. 30 1947	Nov. 29 1947
	cts.	cts.	cts.	cts.
Big City Brand				
Selling price, per loaf	7.50	10.50	10.00	10.00
Cost price, per loaf	6.00	9.00	8.75	8.50
Gross margin—before deducting warehousing and selling cost ..	1.50	1.50	1.25	1.50
Per cent gross margin to selling price	20.00	14.3	12.5	15.00

Bakers' Brands

Harrison Bros.,
Canada Bread,
General Bakeries,
Inter-City Baking Co.,
James Strachan,
Wonder Bakeries.

	Sept. 1 1947	Sept. 20 1947	Feb. 2 1948
	cts.	cts.	cts.
Selling price, per loaf	10.00	13.00	14.00
Cost price, per loaf	8.10	10.80	11.25
Gross margin (as above)	1.90	2.20	2.75
Per cent gross margin to selling price	19.00	16.9	19.6

Gross Margins as a percentage of sales on certain lines, period December 15, 1947 to
January 10, 1948

	Per cent		Per cent
Jam	13.59	Canned vegetables	13.69
Canned soups	9.87	Butter	5.14
Tea and coffee	14.88	Eggs	9.93
Canned fruit	13.75	Fresh milk, quarts	5.71
Soaps	14.64	pints	10.53
Household cleansers	14.49	Biscuits	23.35
Peanut butter	15.82	Fresh fruit and vegetables	22.46

The CHAIRMAN: Tomorrow morning the government will be using this room to receive a large labour delegation. They will be using the room all day tomorrow and also Friday morning. For that reason this committee will meet tomorrow and Friday morning in room 368.

There will be a meeting of the steering committee at 10.30 o'clock tomorrow morning.

The committee adjourned.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

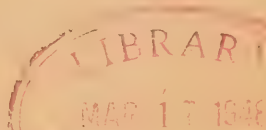
No. 17

THURSDAY, MARCH 4, 1948

WITNESSES:

Mr. Sam Steinberg, Steinberg's Wholesale Groceries Limited, Montreal.
Mr. John M. Arnold, Director, Pickering Farms Limited, Toronto.
Mr. John B. Parent, Manager, Dionne Limited, Montreal.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948





MINUTES OF PROCEEDINGS

Thursday, March 4, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Cleaver, Fleming, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. Irvine moved that the Committee proceed at once to call witnesses with a view to ascertaining what effect the removal of commercial rental controls will have on rentals and the cost of living.

Following discussion, Mr. Irvine agreed to let his motion stand and the following motion by Mr. Fleming was adopted, viz:

"That this committee direct the Steering Committee to report to this Committee not later than eleven o'clock to-morrow morning with reference to the subject of inquiry into rentals on commercial accommodation."

Mr. Sam Steinberg, Steinberg's Wholesale Groceries Ltd., Montreal, was recalled, re-sworn at his request, and further examined.

At 12.00 noon, Mr. Maybank, Vice-Chairman, took the chair.

At 1 p.m. witness retired and the Committee adjourned until 4.00 p.m. his day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Cleaver, Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

The Chairman presented the Fourth Report of the Steering Committee, recommending:

1.—That a representative of the Canadian Association of Consumers be heard on Friday, March 12;

2.—That organizations from whom has been received a request to appear and express the views of Quebec consumers, be invited to address a brief to the Committee if they have knowledge of facts which, in their opinion, should be presented, after which the Committee will decide, if such briefs should be supported by oral evidence.

Mr. Steinberg was recalled and further examined.

Witness retired.

Mr. John M. Arnold, Director, Pickering Farms Limited, Toronto, was called, sworn and examined. He filed,—

Exhibit No. 35.—Statement showing selling price and cost of 24 ounce loaf of bread (wrapped and unsliced)—Pickering Farms Limited.

Witness retired.

Mr. John B. Parent, Manager, Dionne Limited, Montreal, was called, sworn and examined.

Witness filed,

Exhibit No. 36.—Statement showing selling price and cost of 24 ounce loaf of bread (wrapped and unsliced)—Dionne Limited.

Exhibit No. 37.—Thirteen invoices for bread and cakes sold to Dionne Limited by various Montreal Baking Companies.

At 6.05 p.m. witness retired and the Committee adjourned until Friday, March 5, at 11.00 a.m.

R. ARSENAULT

Clerk of the Committee

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
March 4, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will come to order, please.

Mr. HOMUTH: Mr. Chairman, before we call Mr. Steinberg, the witness, may I say that yesterday afternoon Mr. Merritt was questioning the A. & P. representatives with regard to the standard of profits as between their company and the other chain stores. The more I thought of it the more significant I realized information may be to this inquiry. Rather than call witnesses back I would suggest that our council arrange to get a full Dun & Bradstreet report on the A. & P. stores, their financial set-up and their share ownership. I think if we can get that it will pretty well cover what Mr. Merritt was trying to bring out yesterday afternoon.

Mr. IRVINE: Well, Mr. Chairman, before you call your witnesses I want to return once more to the matter of the investigation of the commercial rent situation. I have many requests about that and I imagine all of you saw the report in the press last night and the remarks of Controller Goodwin.

Mr. MACINNIS: Who is he?

Mr. IRVINE: One of the controllers of Ottawa.

Mr. MACINNIS: The city.

Mr. IRVINE: Yes. He tells us in that report of as high as 500 per cent proposed increase in rents as soon as controls are removed. He tells also that some of these smaller business men are going to be pressed out of business. He tells of rent jumps from \$225 a month paid in 1939 to \$400; of rent boosts from \$60 a month to \$300—an increase from \$40 to \$200—and so on down the line. And then he says this “—the taxes are not up in proportion. It may not be our business that this type of profiteering is to go on but it is our business however if it is driving many firms to the wall and keeping up the high cost of living in Ottawa.”

The CHAIRMAN: Mr. Irvine, the steering committee has just been meeting. Mr. Maybank, would you mind reporting to the committee?

Mr. MAYBANK: Mr. Chairman, the work that had been given to Mr. Mayhew and myself was done and I felt yesterday afternoon that if the steering committee met this morning there would be a report to this committee. After the steering committee did go into this matter this morning, it was the unanimous feeling that the report should be delayed a little on account of possible developments, and the steering committee would like to wait at least 24 hours before reporting. Now, when I spoke yesterday I said the reason the committee had not considered this matter was that certain work we had been asked to do could not be done. That work has been done and the steering committee has been considering this report right up until a few minutes ago. It was, as I say, the unanimous opinion that we ought to hold up the report to this committee for a day. I think that would be right.

The CHAIRMAN: A day, or perhaps less than that.

Mr. MAYBANK: It might be a little more than that, it might not be ready tomorrow but, speaking for myself, I think it would be. That was the unanimous view of the steering committee at that time.

Mr. FLEMING: There is just one reservation in Mr. Maybank's statement. He used the expression "at least 24 hours" and he rather thought it would be more than 24 hours. I thought we might be in a position to deal with the matter today, but, in any event, not later than tomorrow.

Mr. MAYBANK: I think that is the position, but I followed up by saying I thought it would be done tomorrow.

Mr. MACINNIS: May I point out that if this is not done tomorrow—and in my opinion we have stalled on this quite a bit—it is a difficult problem and there may be reason for the delay—but if it is not done tomorrow it cannot be done until Monday and on Monday rent controls are gone.

The CHAIRMAN: I do not think Mr. MacInnis you could say the committee has stalled.

Mr. MACINNIS: No, being on the committee I do not like to disparage it, but if I were not on the committee I might have a different opinion.

The CHAIRMAN: Yes.

Mr. IRVINE: There are no doubt reasons why the sub-committee wishes to hold this matter up for another 24 hours but I feel there are even better reasons why we should go right ahead. So, in case nothing more transpires in 24 hours, I would like to move that the committee proceed at once to call witnesses with a view to ascertaining what effect the removal of rent controls will have on rentals and the cost of living.

Mr. MACINNIS: I will second that.

Mr. LESAGE: Mr. Chairman, on this motion, I would say that I am not on the steering committee so I do not know the reasons for postponing the report for 24 hours. However, there is an argument against the calling of witnesses on that subject now. It has been said that our committee in the beginning has done too much switching from one subject to another. That has been said in the press. I think if we want to have an inquiry, an investigation, which will lead us to something definite we must take one commodity and pursue the investigation of that commodity to the end.

Mr. IRVINE: Mr. Chairman, I agree with that as a rule for practice in this committee. I think it is a good orderly practice, but events sometimes take matters out of our hands; and I think this is a case in which that is clear. It has been said, and I think there is some force in it, that the very fact we are investigating may have a restraining influence on some people and if we do decide to investigate this matter, it cannot be done tomorrow because we have to plan and call our witnesses. However, the very fact we are intending to do it may have the effect which parliament thought this inquiry might have on those who have a tendency to charge a little more than the traffic will bear.

Mr. JOHNSTON: In regard to this motion, I do not think it has a seconder in any event.

Mr. MACINNIS: I seconded it.

Mr. JOHNSTON: In view of the fact this matter has been discussed by the steering committee, it places those of us on the steering committee in a rather embarrassing position and Mr. Maybank has explained that he thought there would be an official report not later than another 24 hours. It seems to me the motion now is just a little bit out of order in view of the fact that this subject is under discussion by the steering committee. I know, as Mr. Irvine has suggested, that it has been under discussion and consideration by the steering committee for some time and the fault is not all or entirely due to the steering

committee. There are other things which occurred over which the steering committee has no control and it seems to me Mr. Irvine would be well advised—I do not want to offer advice to him—but it seems to me that it would be well if he would withhold the motion until the time Mr. Maybank has indicated, otherwise it puts the rest of us in a very bad position.

Mr. IRVINE: I would just say this. The first intimation or rather the first time this matter was brought to the attention of the steering committee was on February 17 and since that time we have had a number of promises that this matter would be dealt with. Now I am not suggesting that there has been any unfair treatment of this question by that committee but I think that this committee, this larger committee, has something to say about the matter and since we are ignorant of any particular thing which would prevent the steering committee from taking action I make my motion and I will not withdraw it. I want this committee to do with it as it pleases.

Mr. MAYBANK: I just wish to recall that I said the view expressed with respect to the further delay was a unanimous view; it was not just my view but I was expressing a unanimous opinion of the steering committee, arrived at just a few minutes ago.

Mr. MACINNIS: May I raise a point of order there, Mr. Chairman? You will recall I pointed out that I wanted something done for my own personal reasons, because I had telegrams and communications to which I desired to reply and if the committee did not act I was going to reply to those telegrams without waiting for the committee to act. I made that point clear so that if there was any unanimity it did not include me.

Mr. MAYBANK: I thought you were agreed on this delay of the report?

Mr. MACINNIS: No, I made it perfectly clear.

The CHAIRMAN: I do not think it is desirable to discuss the steering committee proceedings in a meeting like this, but I think it was generally agreed that there should be a delay beyond this meeting, beyond this particular meeting now, for reasons that were indicated to the steering committee. My impression is that was generally an agreed wish. Mr. MacInnis did point out later in the day he would want to reply to certain telegrams, but beyond this meeting it was agreed, I think.

Mr. MACINNIS: I did not agree to that.

The CHAIRMAN: I may be wrong in my impression.

Mr. HOMUTH: Might I ask whether this suggested investigation of the threats to increase rentals was made with any idea that this committee was going to make recommendations?

The CHAIRMAN: There was no question of that. We were waiting information from another quarter.

Mr. HOMUTH: Let us make our position perfectly clear. The whole debate in the House of Commons with regard to the set-up of this committee from our stand-point was that we did not get the power to recommend. We were refused the power to recommend anything. Now if it comes to the question of the investigation of rentals we have not the power to recommend because the house refused to give us that power.

Mr. MACINNIS: We are not stopped there because the Prime Minister stated quite clearly that if the committee did not think it had sufficient powers it could come back to the house and ask for further powers. I think, if we decide to deal with this matter today, we would have to make a report to the house and ask for a widening of the scope of our terms of reference so we could recommend to the government that the rental control be delayed beyond March 8.

Mr. HOMUTH: As Mr. Winters points out, this committee was set up for the purpose of investigating the recent increases in the cost of living.

Mr. MACINNIS: Yes.

Mr. HOMUTH: This event has not yet happened.

Mr. MACINNIS: It will happen by next Monday when the committee sits again.

Mr. HOMUTH: It has not happened so how can we investigate something which has not happened?

The CHAIRMAN: I think the best thing to do is to deal with the motion.

Mr. LESAGE: There is a point of order raised. This matter was under discussion in the steering committee and the point of order was raised by Mr. Johnston.

The CHAIRMAN: The motion put forward by Mr. Irvine is that the committee proceed at once to call witnesses with a view to ascertaining what effect the removal of commercial rental controls will have on rentals and the cost of living.

Mr. PINARD: And the point of order raised was to question whether the motion could be declared out of order.

The CHAIRMAN: I do not think the motion is out of order. I think, for the orderly procedure of the committee, it is desirable that the direction of the steering committee—which represents all groups in this committee—I do not say should be respected but I suggest should be followed. I cannot, as chairman, compel any member of this committee to recognize that. Mr. Irvine is not a member of the steering committee and he has made this motion. I think the committee had better dispose of it right away. We have had a general discussion and unless there is some objection I propose to put the motion.

Mr. JOHNSTON: May I say a word further on the motion. I have already stated one objection which I think can be raised in regard to it being put forward now. If the motion is to go ahead I would like to make my position clear. I will have to vote against the motion, not because I am against investigating rental controls—

The CHAIRMAN: No.

Mr. JOHNSTON: —but in view of the decision taken by the steering committee this morning regarding a further report. Also the reference which is given to us is not sufficient to include us going into this, as Mr.—

The CHAIRMAN: —Homuth.

Mr. JOHNSTON: —as Mr. Homuth has indicated. These things have not occurred yet and will not occur until March 8. For those reasons and those reasons only I would be compelled to vote against the motion.

Mr. IRVINE: May I say in that connection, if Mr. Johnston is raising the point we have not got powers to investigate this matter, and if this motion is defeated on that account, I shall immediately move that we report to parliament and ask for sufficient powers to investigate.

The CHAIRMAN: At that point I would suggest to you—and the chairman has no right to make more than a suggestion—that once we have disposed of the motion we ought to await the report of the steering committee, which will be brought in between now and tomorrow morning, in connection with developments that are taking place or that may take place outside the control of this committee.

Mr. PINARD: On the first question, if I may add a word, I wish to make my position clear and in this I am talking also on behalf of Mr. Lesage. We are both of the opinion expressed by Mr. Johnston that we are not opposing this

motion because we do not want this matter investigated but simply because we think that as the matter is being dealt with by the steering committee the motion would seem to be out of order. For that reason and for no other reason we would vote against the motion.

Mr. MACINNIS: Mr. Chairman, will the committee undertake to have a decision at 4 o'clock when we meet? If so we could leave the motion open until then. Remember, if we leave it until tomorrow there is no further time to act.

The CHAIRMAN: I do not think we can go any further than we have gone.

Mr. MAYBANK: No person can give an undertaking of that sort from what I can see.

The CHAIRMAN: Shall we proceed with the motion?

Mr. FLEMING: I would like to say a word about this. I think I was the first to raise the question in the committee on this matter of increases in rental of commercial accommodation which, as all of us have been told, are in many cases running to exorbitant extremes. I do not think there is a member of this committee who does not view this matter as a serious one. The worst thing which could be done by this committee would be to take a decision which would embarrass the committee in making a proper decision covering the whole situation. The motion which is before us now does not cover the whole situation by any means. Even if this motion were passed today, the steering committee would still come back with a report, I take it, not later than tomorrow morning covering other aspects of the question as a whole.

Now, with all respect to my friend, Mr. Irvine, I do suggest it is a mistake to prejudice the proper consideration of the whole question by the whole committee by pressing forward, at this particular juncture, a motion which deals with only a part of the question. I assure my friend Mr. Irvine and I assure every member of the committee that I do not intend to be a party to letting this matter drag. From the information which was imparted to the steering committee this morning, I am convinced, as one member of the steering committee that it would be folly to try and dispose of this matter at this particular moment. However, I would not be a party to allowing the matter to rest in abeyance beyond this time tomorrow morning. I want to make that very definite. The committee will have to make its report.

If the events which were discussed today transpire, then it will affect the terms of the report of the steering committee, undoubtedly. If that does not follow, this committee probably has information which may direct it in a different course. I would suggest, Mr. Chairman, that the motion should be that the steering committee is directed by this committee to report not later than tomorrow morning. I think that is the only satisfactory way of dealing with the whole situation. Otherwise, you are going to have a piecemeal, haphazard consideration of the whole situation. We will discuss it here and discuss it again tomorrow and probably then not even arrive at finality. I think the sensible way is to let this motion stand over until this afternoon, if possible, but not later than tomorrow morning, and that Mr. Lesage direct the steering committee to report on the whole question not later than eleven o'clock tomorrow morning.

Mr. IRVINE: We have been assured no one can give any such undertaking.

Mr. FLEMING: I understood Mr. Maybank was talking about a particular course of action, not by the committee, but from some other quarter, as the chairman phrased it this morning. The position of the steering committee and this committee is this; if a particular action is taken in another quarter between now and tomorrow morning, it will undoubtedly guide this committee in the course it is going to follow. However, we are not prepared to wait beyond tomorrow morning for action to be taken in that quarter. If action is not taken by then, we will presume it is not going to be taken and we will govern ourselves accordingly.

Mr. MAYBANK: Mr. Fleming has made reference to the fact that a remark I made about a certain undertaking not being possible did not refer to whether the undertaking could be given by the steering committee; an undertaking could be given by the steering committee, but the trouble is if it is given by one person here, one does not know whether that will cover all the other members of the steering committee. That is what I meant. I am not the chairman of the steering committee. I have no means of assuring this committee that that body, of which I am a member, will give a report by a certain time. Furthermore, I was making reference to a matter not in the hands of the steering committee when I said no undertaking could be given. However, that does not go to the question of whether the steering committee could be ordered by this committee to put in a report. It certainly could be ordered to put in a report and I would not have any doubt it would do so.

The CHAIRMAN: I suggest we should bring this matter to a head. I believe what Mr. Fleming has said, supported now by Mr. Maybank, has much merit. The point of view you take is one with which all members of the committee sympathize and it will not be prejudiced. I suggest you allow us to proceed.

Mr. IRVINE: I should like to state that I think Mr. Fleming has made a very good case. If he will move that this motion be tabled, I will be perfectly satisfied.

Mr. FLEMING: Would the matter be satisfactorily disposed of on this basis: the matter was raised in the committee and was referred to the steering committee. Let us pass a motion now directing the steering committee to report to this committee not later than eleven o'clock tomorrow morning with reference to the subject of enquiry into rentals on commercial accommodation.

Mr. MACINNIS: Make that your motion, that this motion be tabled and that the steering committee be instructed to report tomorrow morning.

Mr. MAYBANK: If you make that a motion, I will second it.

The CHAIRMAN: All those in favour of the motion?

Carried.

Mr. DYDE: I think Mr. Steinberg wishes to be re-sworn. It was done in rather a hurry last night and I would ask to have him re-sworn.

Sam Steinberg, Steinberg's Groceterias Limited, Montreal, called and sworn:

By Mr. Dyde:

Q. At the close of yesterday's proceedings, you had given your name to the committee and the name of your organization?

The CHAIRMAN: Order, there is too much noise in this room.

By Mr. Dyde:

Q. Your name is Sam Steinberg and the company you represent is Steinberg's Groceterias Limited?—A. That is correct.

Q. You produce a table which you had prepared and which was marked Exhibit 34?—A. Correct.

Q. That table was prepared by you?—A. That is right.

Q. What is the address of your company in Montreal?—A. The head office and warehouse is at 5400 Hochelaga Street, East.

Q. Steinberg's Groceterias Limited is a wholesale or retail company?—A. Retail.

Q. Entirely retail?—A. Entirely.

Q. The corporate set-up of the company is what, will you describe it to the committee?—A. It is a family corporation consisting of the members of the family, a cousin and two brothers-in-law.

Q. When was it incorporated?—A. About 1930, I think.

Q. Has it been in business ever since?—A. It has been in business ever since, but the business started in 1917.

Q. Have you changed the name of your company since 1930?—A. No.

Mr. WINTERS: I wonder if the witness could sit sideways, so we could all hear him?

By Mr. Dyde:

Q. How many retail stores do you operate in Montreal?—A. 23.

Q. How many in Ottawa?—A. One.

Q. Would you give the committee, please, the percentage of the sales of bread in your stores in Montreal and Ottawa to the gross sales?—A. For what date would you like that?

Q. Could you give it for different dates?—A. Yes.

Q. Give it for the nearest date to the present?—A. 80·21.

Q. I think you have misunderstood my question. I want the percentage of the sales of bread as compared to the gross sales in your stores?—A. Yes, sales of all items?

Q. Yes.—A. I see, on bread?

Q. On bread.—A. 2·01 per cent. Now, that is a percentage of everything but meats.

Q. You run a general grocery business, do you?—A. Just what do you mean by "general grocery business"?

Q. Do you sell a varied list of groceries?—A. Yes, a complete line.

Q. Do you include meat?—A. Except for the total comprising bread sales to total sales; meat is not included.

Q. What percentage of your bread sales consists of the 24-ounce white loaf wrapped and unsliced?—A. I would also have to know what date you want there. I think we started it sliced only in the latter part of December.

Q. Then, could you give us the percentages for December, 1947?—A. About 95 per cent.

Q. You mentioned that sliced bread had been started in December?—A. Yes.

Q. Have you any remark to make as to whether that has increased or decreased since you started it?—A. Sliced bread sales are growing very rapidly. At the present time they are about 25 per cent.

Q. 25 per cent of your total bread sales?—A. Right.

Q. You charge how much per loaf for sliced bread?—A. For Big City, it is 11 cents and I think—I have not the figure for the other, but I think it is 1 cent higher, 15 cents. I am not sure of that.

Q. Big City, you will notice, gentlemen, is the brand which is mentioned in Exhibit 34. That is your own brand of bread, is it not?—A. That is correct.

Q. That brand is baked for you by whom?—A. Richstone's in Montreal.

Q. Is that the full name of the company?—A. Richstone Bakeries Incorporated, 4222 St. Lawrence Boulevard, Montreal, Quebec.

Q. Will you please give the committee the comparative percentage between the sales of your own brand, Big City brand, and the bakers brand which you sell?—A. At what date would you like that?

Q. Could you give it to us for the period closing in February?—A. I have it up to February 14.

Q. For how long a period is that?—A. That is from January 1 to February 14.

Q. What is the percentage on Big City bread?—A. 80·21.

Q. And the bakers' varieties?—A. All other companies combined would be 19·79 per cent.

Q. How does that compare, let us say, with September of 1947? Could you give the same figures for September?—A. In September, Big City sales were 65.44 and the balance was made up of the other companies.

Q. You will notice, gentlemen, that in the same way the previous witnesses have given you the totals, on Exhibit 34, we have divided Big City brand and bakers' brands. I notice on Exhibit 34, Mr. Steinberg, under bakers' brands, you name a number of bakers. Are those all the bakers from whom you buy bakers' brands?—A. That is correct.

Q. And you buy from them all?—A. That is correct.

Q. Then, you will notice, gentlemen, there has been added at the bottom of Exhibit 34 a comparative table of gross margins.

Now, Mr. Steinberg, I want to go, without going into that table in too much detail at the moment, to another point. I want you to describe to the committee, please, the method of delivery of bread to your stores by the bakers?—A. The usual procedure for the driver or salesman for one of the leading bakery companies would be that they would drive up to the store some time in the forenoon, go into the store, look over the bakery shelf set up in the store, withdraw bread—where there were and broken packages of their own brand, or wrappers that had been spoiled—check with the clerk in the store, determine from the stock on hand on the shelf in the store how many bread he should bring in and takes out of those packages that he believes are not fit for sale and returns with the number of breads that he figures we would require to sell for that day; and this is then checked by the clerk, also rechecked by the manager; and then I would say that the salesman or the driver proceeds to make out a bill or an invoice for the number of breads he has brought in, which is checked by the manager.

Q. Will you just describe that invoice, please?—A. Well now I think that in most cases the invoices are made out, the selling price, plus the price that they charge us, and then when the head office issues a statement they just do it I think in the same manner plus the discount they allow large buyers or chain stores.

Q. I do not know whether you would have an invoice with you or not?—A. No.

Q. Then I am sure you have seen plenty of them, have you not?—A. Yes, I have seen them. That might be true for the companies I think in most cases, that is the practice.

Mr. PINARD: Does that apply to Richstone too?

The WITNESS: No.

By Mr. Dyde:

Q. I am going to bring out that information with respect to Richstone shortly. I think I would like you to be a little more specific about these invoices; supposing the bakery man leaves at your store 20 breads, as you call them—I assume that is 20 loaves of bread, is it?—A. Yes.

Q. Suppose that he leaves 20 breads at your store, what is the first item on the invoice?—A. It has been so long since I have seen any, sir; usually, I think it would be—what is it, 20 loaves?—let us take Harrison Brothers for instance, because they have so many varieties of bread, they would put in 20, 14-cent loaves, whatever it might happen to be.

Q. What is the next entry on the invoice?—A. I haven't a copy of an invoice before me.

Q. I thought you were familiar with the invoices?—A. I am, except for this, that they have printed invoices in which they indicate the varieties of bread that they deliver to the store and the driver merely enters the number opposite the

type of loaf. That is done in order to save a lot of writing work by the drivers when they are making out the invoices instead of having to write all the details out for each brand.

Q. All right then, there is a table or list of items and he would mark whatever it was, 20 loaves of bread at 14 cents; is that correct?—A. Yes, that is correct; at least, I understand that is the practice of most of these companies.

Mr. JOHNSTON: Could we have one of these invoices?

Mr. DYDE: I am going to ask you to file one. I thought that he was going to be able to describe it.

By Mr. Dyde:

Q. I think, Mr. Steinberg, the committee would like to have you produce copies of these invoices but in the meantime you might go on and describe them. What is the next financial item that appears on the invoice?—A. I haven't the invoice before me and I would have to have one.

Q. All right?—A. I could have one here—

Q. Could you have one here this afternoon?—A. I could except that in Ottawa we only buy I believe from one baker and therefore you could not have the complete picture. But in talking with our office yesterday, I telephoned the office, that is our accountant, he told me that when we received the statement they indicate the retail price plus whatever discounts we have obtained.

Q. All right, that was really what I was trying to get from you, the invoice indicates the retail price?—A. I really was talking about the statement, now, the invoices do too.

Q. The invoices do too, yes; they indicate the retail price and then they indicate the discount if any?—A. That is right, the baker puts on the price charged to us and the discount price—of course, I mean the price delivered by the supplier to our stores—and the statement indicates the discount.

Q. Yes, and the difference between those two is the cost to you of the 20 loaves of bread?—A. That is right.

Q. Now, will you describe the method of delivering your own bread, that is the Big City brands, to your stores?—A. Before I proceed with that I would like to tell you this; all that detail I have just referred to involves a lot of work.

Q. Yes?—A. All the business with the checking and so on. I would like to point out to the committee that not all of the companies we deal with supply all our stores. For instance, Dent Harrison supplies 9 stores; Harrison Brothers supply 22 stores, Canada Bread would supply 21 stores, General Bakeries would supply 18 stores, Inter-City would supply 15 stores and of the Big City naturally we supply all of our stores. Then the number of loaves based on the average for the week of February 14 would be—the reason I am giving you this figure is to indicate just what it involves.

Q. Yes, go on.—A. In that week Harrison Brothers supplied 207 loaves, Dent Harrison, 77; and Canada Bread, 94, General Bakeries, 71, Inter-City, 97 and Big City 2,609. That is the loaves of bread per store per week, the average.

Mr. LESAGE: What would be the total?

The WITNESS: I haven't got the totals here so I cannot give you the total. Now, the profit; that is the difference between our net cost and what we sell it for per day; on Harrison Brothers it would be 96 cents; Dent Harrison, 36; Canada Bread, 44; General Bakeries, 33; Inter-City Baking, 44; Big City, \$6.34. But what I wanted to point out is this; after the baker delivers the bread, one of these bakery outfits, then we go on, that invoice is entered in a book by the head cashier or the manager in a special form. From there on it goes to the main office where they are segregated and checked for signature and rechecking in the statement and so forth. So the point I wanted to bring out there is that

there is a lot of work that goes on the forms for just a profit of 33 cents to 96 cents—the work that is involved in checking that driver, in checking what he brings in, checking his invoice and entering it in the book—and when it is entered in the book it is entered in a special form in the store and that is merely to indicate what it is necessary to get.

Q. And that is merely to indicate why it is necessary to get a larger profit on the other brands than it is on the Big City where the volume is, naturally.

By Mr. Fleming:

Q. In view of what you say does it pay you to handle bread?—A. Very definitely.

Q. It does.—A. Very definitely.

Q. Does it pay you to handle Big City bread?—A. Very definitely.

Mr. HOMUTH: You lose money on each loaf but it is the number of loaves you sell.

By Mr. Dyde:

Q. How long is the delivery man for a bakery at your store during the course of delivering bakers' brands to your store?—A. I think that the stores on some mornings, that is the man who signs the bakery statement, spends sometimes as much as 3 hours entering and checking in the different bakers who of course do not all come at the one time.

Q. Now, do you want to say anything more about the method of delivery of bakers' brands?—A. No.

Q. Will you go on now then and describe for us the method of getting the Big City brand of bread to your stores?—A. That is different in this sense, for Big City bread we supply our own boxes and we pick up the bread at the bakery; also, the bread is ordered from Big City a week in advance; in other words, this Monday's order—say today is Thursday, the order for next Thursday is placed by the store manager today. A special record is kept on each day's sales showing just what is used in each store. We have a page for Monday and the Monday following is entered so that when he looks at it to place his order it tells him how much bread was sold or how much he was short on the day. You check the record.

Q. Are you able to say what it costs per loaf to deliver the Big City brand to your store?—A. It costs us $\frac{1}{2}$ of a cent, if we figure the investment in boxes.

Q. That includes the boxes and the trucking charges?—A. That is correct.

Q. And everything to get the Big City bread to your stores?—A. I am talking only of handling now.

Q. I know, to get the Big City loaves from where they are baked to your stores?—A. That is correct; but I must qualify that in this way, that our stores are in close proximity the one to the other; in other words, we haven't got large distances to travel; so we employ two trucks to look after the bakery requirements of our stores in Montreal.

Q. Has your company any control over the method of handling the bakeries deliveries?—A. None whatever.

Q. Have you ever inquired as to whether you could institute some system with the bakers other than the one used at present, let us say the same as you do with Big City brand?—A. No, but there was a time before we had Big City I approached one of the leading bakers in Montreal with a view to promoting a lower priced bread at that time, but nothing was definitely said but I could sense that they were not particularly interested at that particular time in getting out a lower priced bread and nothing further was done about that.

Mr. CLEAVER: What baker was that?

The WITNESS: Harrison Brothers.

By Mr. Dyde:

Q. Is this correct, Mr. Steinberg, that the cost to the consumer, the person who comes in to buy bread in your store, when he comes in and buys a loaf of baker's bread; the cost to that consumer includes whatever cost there is in the handling charges that you have described?—A. Very definitely.

Q. And are you prepared through your experience to give an opinion as to whether in view of your experience in handling Big City bread that cost could be reduced?—A. Of course, you can gather from the figures that if your costs are $\frac{1}{4}$ th of a cent and take their figures on the cost of their bread delivered to our stores and you will see that their method of operation is much costlier, we are satisfied and we hope that in the near future we will be able to prevail on all companies to make bread deliveries to our warehouses in order to reduce the method of distribution and the cost. We feel that under our methods we can effect a saving.

Q. To go back for a minute to the invoices and the discounts, did you negotiate with the bakeries as to the amount of that discount?—A. I cannot recall ever having entered into any discussion at any time about price or discount ever since we handled bread.

By Mr. Homuth:

Q. Just a minute. Does Mr. Steinberg mean to tell the committee he has never discussed prices or discounts with anyone who has supplied him with bread?—A. That is correct. That is with a view to fixing the price or trying to obtain any price. I will give you the answer to what you are trying to obtain. For instance, early in this week Christie's have entered into the Montreal field. They have acquired the Provincial Bakery. They have been in to see our buyer with a view to our handling Christie's bread. Their salesman would come in and tell us what the consumer resale value of their bread is, what their price to the storekeeper is, and whatever special discounts they allow for chain stores, but that is the approach that anybody in the processing business would undertake. He would come in and say, "We would like to sell you so and so." We have never tried to negotiate or influence any particular manufacturer as to what his price to us might be. That is purely their set-up.

By Mr. Pinard:

Q. Would you say, in other words, that their policy became yours immediately?—A. That is correct.

Q. In each case?—A. Yes.

By Mr. Lesage:

Q. Is it the same as to the retail price?—A. That is correct, sure.

By Mr. Pinard:

Q. They dictated the price of bread to your establishment, and that applies to all bakers' brands except possibly Big City brand?—A. Except when you say dictated they came down to approach us to sell their particular bread, and then they tell us what the resale value of that bread is, what their discount is to storekeepers as a whole, and what extra allowance they make to chains, or large buyers, whoever they might be.

By Mr. Winters:

Q. As to this invoice you spoke of when the baker makes out the invoice he puts on that, for example, 20 loaves of 14-cent bread rather than 20 loaves of 24-ounce bread?—A. For instance, here in Ottawa, we will say, if it is 20 loaves at 13 cents they will put on the invoice 20 at 13.

Q. Even though they do not charge you 13 cents for it?—A. That is correct, because you see the driver, I do not think, is in a position to know.

Q. I want to get that clear though as to the retail price to the customer.—A. I visited the store yesterday and looked at an invoice and it is 20 at 13. I do not say it is 20, but so many at 13.

By Mr. Fleming:

Q. Your answers are still not quite clear to me. In the answers you have been giving are you speaking of the net price to you from the bakers or have you been talking about the retail price to your customers?—A. Are you talking about a bakery salesman who visits the head office.

Q. I am talking about the answers you have been giving to this last group of questions beginning with Mr. Homuth's question. I am not clear in my own mind as to whether you are talking about the net price charged to you by the baker or the price at which you are retailing to the consumer?—A. I will make it very clear. Christie's salesman, whoever it might be, comes down to our office and tells us that they have opened this plant, and they are starting to deliver bread to the stores, and he will say, "Our bread is going to sell for so and so."

By Mr. Pinard:

Q. What does he give? Does he give the retail price?—A. That the price is 14 cents. He says, "the consumer price for this bread is 14 cents. Your price is such and such. As a chain store your discount will be such and such."

By Mr. Fleming:

Q. Do I understand under the arrangement you have with your bakers the retail price to the consumer that you are to charge is set, and the net price to you is set by this expedient of rebates or discounts?—A. Set in the sense he wants to encourage you to handle his bread, and tells you what margin you are able to earn if you handle his bread. We did not take it on. We may, depending upon consumer demand and what we think of their bread.

Q. You take it on the basis you will sell it to the consumer at the price they have indicated?—A. If we take it on, yes.

By Mr. Maybank:

Q. He fixes the price to the consumer when he makes that deal with you?—A. When you say "consumer" he does not fix the price to the consumer in this way. Most bakers have a house-to-house delivery set-up. When we started in business that procedure was then going on, and even thirty years ago. Christie's being brand new do not go house to house, and they tell us what the resale value of their bread is going to be.

Q. Let us put it this way. Would there be any objection to your selling it at 13½?—A. We have not done any business with them, but in view of the profit we make and the fact—let us not deal with Christie's because we do not do business with them. Let us deal with the other bakers in view of the profit we make and the fact we could never develop a real baking business. With all these other companies there is no special inducement for us to cut the price because we will only be encouraging others to do the same thing, and since the customer can get it right at home there is no special incentive. We are not going to develop anything.

By the Chairman:

Q. There may not be any inducement but what would happen if you did?—A. We have never tried it.

By Mr. Winters:

Q. Do you sell any loaves with the price marked on them?—A. Not that I know of.

By the Chairman:

Q. What would happen if you did?—A. We have never tried it so I cannot tell you.

By Mr. Pinard:

Q. Have you ever asked any of these bakeries such as Harrison Brothers, Canada Bread or General Bakeries, whether you would be allowed to sell at a lower price than 14 cents?—A. No, sir.

Q. You have accepted— A. That is right.

Q. —that all these brands of bread must be sold at 14 cents because these bakers have intimated that to you; is that correct?—A. No, we have not accepted it, but we know that it has got that resale value and we are quite prepared to sell it at that price.

Mr. R. Maybank, Vice-Chairman, assumed the chair.

By Mr. Pinard:

Q. Why do you say it has got that resale value?—A. Because they have had a house-to-house set-up established long before we ever went into the business.

Q. In other words, because they sell it house to house at 14 cents you are under the impression it should also be sold in your own stores at the same price?—A. In view of the fact of the work we have to do in handling that bread. It is more of a convenience than anything else. Let me put it this way. Some years ago when we opened a store in Verdun, Harrison Brothers did not have a large distribution in that area. We opened a store and we have a wonderful sale of their particular loaf of bread. It is only a matter of time when they put a salesman on a route and immediately our sales start falling, and as that route increases they put on another route so we cannot get anywhere, and so we have no interest.

Q. What I want to get at is this. On other grocery items you yourself fix the retail price, do you not?—A. Very definitely.

Q. And on this particular item of bread you do not?—A. Because there is a difference.

The VICE-CHAIRMAN: The question is only whether you do or do not.

The WITNESS: We do not.

By Mr. Pinard:

Q. You have nothing to do with the establishment of the price to the consumer of bread?—A. Except we have freedom if we wanted to and we said, "Well, we are going to set the price of one of the breads", and we would sell it for 12 cents. It only becomes a question if we did whether the driver would stop at our store next day. I could not tell you that.

Q. The only thing is— —A. I follow the practice that was in style, or the practice that was the thing when we got into handling bakers' bread.

Q. I want to ask you one other question. This policy has not been imposed on you in handling any other item of groceries you sell?—A. Oh, yes, there are many companies who have minimum resale prices in the food business.

Q. They do?—A. Yes.

Q. Give us examples—A. I have not that here now. When I came down I made a point to ask Mr. Dyde what was wanted, that I would like to come prepared, and if there was anything else he wanted I would have brought it.

Q. But you say there are cases?—A. Sure, there are lots of companies feel they want to protect the prestige of their label. A lot of companies might feel if I sold one particular bread a cent cheaper than the other the consumer might get the idea their quality was not in keeping with the rest. I would very definitely feel that way.

Q. And that applies to other items of groceries, too?—A. Very definitely.

By Mr. Lesage:

Q. I would be much interested in knowing to what items of groceries that applies—A. I could obtain that list.

Q. Can you file that?—A. Yes.

By Mr. Pinard:

Q. The purpose of this question is to find out whether or not the retail grocery business should be handled by retailers or by producers or by wholesalers.—A. There are a lot of manufacturers who fix or attach a value to their product. They feel if you cut that price their product is going to lose prestige in the eye of the consumer. They suggest a minimum resale price.

Q. Which you accept?—A. Well, at times we do not.

Q. But in bread you do?—A. In bread we have always followed the same price as the baker sold at the door, house-to-house.

Q. Have you ever tried to approach any other bakers than the ones mentioned in exhibit 34 to fix your own retail price of that bread?—A. No. Let me put it this way. The reason we do business with Richstone particularly is because they have not got a house-to-house delivery set-up.

Q. You have not tried with others?—A. Never. I did say earlier that at one time I tried to prevail on Harrison Brothers to supply us a loaf of bread to sell at a lower price than the price they were selling in their house-to-house set-up.

Q. You mentioned Provincial Bakers a minute ago. Have you not approached Provincial Bakers before they were absorbed by Christie's.—A. I visited the plant because some salesman approached us and advised us their bakery was up for sale, and we found it too large for our needs, since we plan to go into the bakery business, but we plan to handle not baked bread but cakes.

Q. Who was in charge of Provincial Bakeries at the time?—A. I do not know. There was a young man I knew who used to be at one time with General Foods.

Q. Do you know who owned Provincial Bakeries before it was absorbed by Christie's?—A. No, I do not know. I know they were tied up—a lot of their shareholders may have been a group of affiliated stores, affiliated in the sense they had a combined buyer. I am not sure; I am not definite. I understood at the time it might have been E. M., or some other such group of stores who may have had stock in that company.

Q. Who is the man you saw at Provincial Bakers?—A. I cannot recall his name. I know him well. If you know his name I will tell you if you are right or not.

By Mr. Fleming:

Q. Mr. Steinberg, in connection with these different bakers' brands which you are selling at a uniform price, and at a price which is established by the baker, has each of these companies door-to-door delivery in the area served by your stores?—A. I believe they have.

Q. Are you clear about that?—A. Well—

Q. Do you know for sure?—A. I feel safe in saying most of them have.

Q. It might be a different situation where you are selling the same bread in competition with the delivery man out with the rig from where you are the only outlet for that particular brand of bread in the local area?—A. It would be difficult for me to know each baker's routes but in most cases—I would say almost 90 per cent—I would be safe in saying all of them operate in the vicinity of the stores they serve. They deliver to our stores and they probably operate in that same vicinity house to house.

Q. So in those cases the company is protecting itself in its direct sales to the consumer by insisting that you, operating as a middle man, should sell at the same retail price?—A. I would not say they ever insisted. That is the price they suggested. We have never sold it cheaper than the price they suggested.

Q. That situation does not apply in the case of Big City brand?—A. No, sir.

Q. There you have no competition with the delivery man selling from door to door.—A. That is the very reason we went into Big City. We went into it because we knew we could sell bread at a much lower price if we did it the way we operate most of our groceries.

Q. That is the reason the price is lower?—A. Very definitely.

Q. Than the bakers' brands?—A. Yes.

By the Vice-Chairman:

Q. You went into Big City because in the handling of that you had complete freedom?—A. No, because we had complete confidence we could sell it for less money.

Q. And you had complete freedom. There would be no person even suggest what the retail price might be?—A. But that was not the reason.

Q. I do not mean to be putting words into your mouth. I put it in that form.—A. The main reason was because we could effect a saving and people might come to our store to buy that particular type of loaf of bread.

By Mr. Mayhew:

Q. Do you know of anyone who has been selling this particular type of bread, wrapped, with the price on it at a lower price than that on the wrapper?—A. I have never said they have.

Q. I did not say you did. You said something about the price on the loaf?—A. I do not believe there is any bakery in Montreal that has a price, that I know of, on the wrapper.

Q. All right, do you know of anyone who is selling Christie's bread in Toronto?—A. We do not operate in Toronto.

Q. What bakery sells 14 cent bread in Montreal?—A. I have got it here, Canada Bread—

Q. All right, do you know of anyone selling Canada Bread at less than 14 cents?—A. No. I can tell you right here and now that if anybody alongside our stores, or in close proximity to our stores, would sell any of these breads at less than 14 cents we would do it too.

Mr. PINARD: If anybody else would take a chance you would too?

The WITNESS: It is not a question of a chance, but we would not want to feel that we were overcharging. You must understand that people do not look upon a lower price as being a cut price, they look upon a higher price as being an overcharge.

Mr. PINARD: I guess they are right.

Mr. HOMUTH: So long as everybody is overcharging you are willing to do that too?

The WITNESS: I made it very clear that the amount of bread we sell and the amount of handling we have to do ensures there is no overcharge.

By Mr. Mayhew:

Q. I think it is important to find out if anyone is selling this supposedly high priced bread below that price?—A. Not that I know of. There may have been one occasion lately in the number of years I have been in business.

Q. Would that not be an indication the bakers had fixed the price, and you sell at that price or you do not get much bread?—A. No, no, because the bakers try very hard to promote the sale of their bread in your store. In most cases it is looked upon as a convenience item to the customer and nothing more. Any person will make a special deal on handling recognized and well established brands to promote his particular business.

Q. They try to sell you on the basis of the statement that there is a safe margin for you to work on?—A. That is correct.

Q. And you will be protected?—A. That is right.

By Mr. Pinard:

Q. Would you give us an instance of selling a commodity where the price is indicated and, shall I say, is imposed on you by the wholesaler?—A. Well I can tell you—let me put it this way, and I will say I have not been the buyer for groceries for some time but I will tell you about when I was.

Q. Yes?—A. At one time a number of the outstanding companies got it into their heads that if they would fix a minimum retail price and allow a chain store to feature it one week in a month, at a special price and only during that one week, that they would enhance their sales because people were conscious of the week-end specials. In this way they felt they would have very attractive promotion every week of the month. One week it might be in Steinberg's, one week Dominion Stores, the next A & P, and so forth. We strongly opposed that policy so for three months we did not sell an outstanding brand of food product in the city of Montreal.

Q. I want to know what that was. I want to know which product it was.

Mr. LESAGE: Give us one instance?

The WITNESS: It was some time ago and their policy has been changed.

The VICE-CHAIRMAN: The question is a proper one.

The WITNESS: I do not mind answering. At that time it was the H. J. Heinz Company.

Mr. LESAGE: The 57 varieties?

The WITNESS: That is correct.

Mr. PINARD: In other words for a period of time you could not buy Heinz products?

The WITNESS: No, we refused to handle Heinz products.

The VICE-CHAIRMAN: You did not handle their brand?

The WITNESS: We refused to because our contention was, and I made point of visiting Pittsburgh at the time, that although we liked to sell the goods, and there was no question about the consumer demand for their product we could not participate. We felt that way because of the number of sales that we effected to the thousands of people going to our stores who would see a price ticket on our shelf that was higher than the chain nearby who was following the Heinz promotional plan. Let us say there was a price ticket 19 cents a bottle on Heinz ketchup in our store, in the others it could be 1

so I preferred not to handle it because the great number of people who did not need the product at the time would understand from the price that we were higher than our competitor was.

By Mr. Pinard:

Q. If it had been lower?—A. We would not have minded at all.

Q. What?—A. If we were the only ones that were low we would like that product.

Q. You would do it?—A. Definitely; but if the other fellow was lower than us it was no go.

Q. As far as overcharging is concerned you are not ready to do it but as far as cutting the price lower than your competitors you are ready to do that?—A. That is the challenge in business.

Q. Even if the policy is prepared by the wholesaler instead of you?—A. Very definitely. We are not interested in minimum retail prices and we fought a number of companies at that time on it.

Mr. MAYHEW: When Christie's bread salesman came in to sell you bread in Montreal their argument was not on the quality of the bread, it was on the margin of profit that you could make on the selling of the bread?

The WITNESS: You used the term argument?

The VICE-CHAIRMAN: The sales talk.

By Mr. Mayhew:

Q. Yes, the sales talk?—A. He wants to interest us in the sale of their bread because of—

Q. Of the mark-up?—A. That is correct.

Q. He did not say it was a better quality but it was a better margin and therefore you should buy the bread?—A. I do not know that it is a better margin.

By the Vice-Chairman:

Q. Mr. Mayhew is not asking that, he is asking if that is the nature of the argument or their sales talk?—A. That is correct.

Q. The thing they felt would interest you was the mark-up?—A. If the quality of the bread was the same it was thought there would develop a good consumer sale for it.

By Mr. Johnston:

Q. Just before we leave the subject I have some questions. I would like to ask the witness regarding the special discount of which he spoke that applied to chain stores. That privilege is not given to other stores that buy from the same company I understand?—A. Well I cannot tell you.

Q. But there is a special discount given to chain stores?—A. Yes that is indicated in the cost I have given here.

Q. Yes, well what would happen if you were getting this special discount to chain stores from anyone of these bakers, and then you happened to sell their bread at a different price. Would that affect your discount?—A. It has not so far. You are talking brands of bread we buy every day.

Q. Yes.—A. We have never tried.

Q. What I would like to get clear— —A. What you are trying to get clear to me is that if I attempted to sell their bread at lower than the price they were selling they would withdraw the discount?

Q. Yes, or a portion of it.—A. Yes, and that has never been tried.

Q. They might not necessarily say "we will not deliver any more of this bread," but they might say "we will refuse the discount"?—A. Let me put it this

way. If one of our competitors sold at prices cheaper than we sold, we would meet the price whether we got the discount or not.

Q. You spoke a while ago about your carry-over. When the wagon came around to your store you said he looked over your shelves and if there were any loaves there that had the wrappers soiled or damaged they took those away.—A. The baker would exchange them.

Q. Yes, and I assume any bread left over on which the wrappers were clean or not broken would be left?—A. They change the stales too if there are any stales.

Q. Do they take all the bread that is left over at the end of the day and exchange it for fresh or just those where the wrapper is soiled?—A. No, they exchange stales. They would very frequently exchange stales.

Q. Well when you say that do they clear your shelves off of all bread left over?—A. Let me put it this way. I am satisfied if any of our men ask them to clear it all they would do so. Sometimes the delivery of bread might be especially fresh and it would be all right the next day but something we thought was not fresh would be changed if the clerk or anyone asked to have it changed. There is no question about that. In 95 per cent of the cases they would exchange stales.

Q. They will?—A. Yes, and there has never been an argument.

Q. In 95 per cent of the cases?—A. In most cases voluntarily on their part.

Mr. HOMUTH: It all depends on the feel or the pinch of the loaf?

The WITNESS: Yes, that might be, and we prefer bread that is a day old.

By Mr. Johnston:

Q. And in the case of bread that is a day old do you change the price at all?—A. Do we?

Q. Yes?—A. No.

Q. Any brand left over you sell at the regular price?—A. Right, but there is no question about their willingness to change it, and there never has been.

Q. In the selling of this 14-cent loaf is not your profit too high at 14 cents?—A. No I do not think so.

Q. You think 14 cents just gives you sufficient margin on which to play safe?—A. Let me put it this way. If the bakers would not allow us or would not give the 10 per cent or 5 per cent discount, I think the policy might be that we would not refrain from handling the bread because of consumer demand. We would handle it in the store.

Q. But it would effect your profit?—A. Very definitely.

Q. And you would rather go ahead selling that loaf even though you entailed a loss by handling their specific brand?—A. Let me put it this way. There is strong competition between the bakers and if one felt, by giving a better discount he would get a preference, I do not think it would be long before the other one would give the same discount. This discount of 5 per cent or 10 per cent was established by the bakers of their own voluntary accord and we have never had anything to do with it.

Q. Would you consider this special discount you get puts you in a somewhat preferred position in relation to the other stores which are not chain stores and do not get the discount?—A. No, because the handling methods are different and there are different set-ups.

Q. How can you come to the conclusion that you are not in a preferred position when the others do not get the discount?—A. I may have more handlings, I may have costlier men working, I may have higher rental on stores. They may be in a store that is part of a house where a man is working and his wife is running the place. It is just a convenience there and they are satisfied, but the operating costs may be entirely different.

Q. In view of that fact would you consider your being a chain store warrant this larger price when you are really entitled to a discount that the others are not?—A. Well I never said that.

Q. Well that would be your inference I take it, you may correct me if I am wrong?—A. No you pointed out to me that we are getting an advantage over some of the smaller stores which do not get a discount.

Q. Yes, and you went on to explain that would not be an advantage because their overheads would be different.—A. I suggested that the other way of doing business has nothing to do with it and that in our case we are not getting too much profit. I will make it very clear. We consider bread is delivered to our store on a "D and D" delivery, direct store delivery. On average truck to store delivery is about 18·6. I have got a list and it would be on this list with some 50 items.

By Mr. Pinard:

Q. Yes, but you include fresh vegetables there?—A. No, I am talking about direct delivery, I am not talking about fruits. Let me put it this way; under one heading, direct delivery to the store is produce or fruits, meats is another and groceries from our warehouse another. This is handled in a different way. I think the costs are very high for the delivery we do and that is why I have indicated the amount of money we make in cents or dollars.

By Mr. Johnston:

Q. Would there not be some relation there to your tremendous turnover as compared with the turnover of others?—A. The amount I have indicated there is 32 cents a day and if you take a time and motion study, I do not think you will find we are getting rich.

Q. You did say it is very profitable?—A. Every item we handle is profitable to the firm as a whole.

By Mr. Pinard:

Q. What is your over-all margin for all grocery products?—A. I would have to give you a period between December 15 and January 10; all groceries shipped from the warehouse 14·55.

Q. What is the amount of the total sales for the same period?—A. For groceries out of the warehouse, \$837,400.

Q. What is the net profit?—A. The net profit—that does not give us the net profit that is just—we do not determine the net profit on one particular item.

By the Vice-Chairman:

Q. You could not give the net except for your whole operation?—A. I can give you the margins on those.

By Mr. Pinard:

Q. That is what I want to get?—A. It is \$127,627.30.

By Mr. Mayhew:

Q. On a \$900,000 turnover?—A. \$837,400. There are items, I would say, that are not in there because we ship butter, fruit and eggs from the warehouse and they go under a separate heading.

Mr. PINARD: I think you might as well ask the witness for his financial statement for last year, if you think we should have it.

THE VICE-CHAIRMAN: I do not suggest that should not be done at all, but I do point out that Mr. Johnston has been interrupted. I rather think the line of enquiry upon which you are embarking might be lengthy and I believe it would be more convenient to allow Mr. Johnston to resume, without prejudice to you to come back to this.

By Mr. Johnston:

Q. I will be very brief. I just want to come back to this 14 cent loaf. I understood the witness to say, in his opinion, the 14 cent price was not excessive and that they were not making too much profit on that; in fact, they were just getting by?—A. Talking about our own firm.

Q. Your own firm; by charging 14 cents for the loaf, you were just staying within a safe margin?—A. No, we were just within the average we get for all other items handled in the same manner.

Q. You do recall, or do you, that the Wartime Prices and Trade Board was of the opinion 13 cents was a fair price?—A. I have nothing to do with that.

By the Vice-Chairman:

Q. He said, do you recall that?—A. I read that recently in the newspaper, if that is what you mean. We know we sold bread for a period of time at 13 cents. I have it here.

By Mr. Johnston:

Q. Do you consider 13 or 14 cents is a fair price?—A. Let me put it this way; since we work on a percentage mark-up, if we sold it for 14, the same percentage will give you a higher net than 13.

Q. What about the 13 cents which the Wartime Prices and Trade Board considers to be fair and reasonable?—A. We would be quite satisfied if the bakers sold bread at 13 cents.

Q. You would be satisfied to carry on at 13 cents if the others did the same?

THE VICE-CHAIRMAN: That is not what he said.

THE WITNESS: I am pointing out to you that the same percentage, carrying it at 13 cents, would satisfy us. If we sell at a higher price and we use the same yardstick, we are bound to get a better return. So far as we are concerned, we are quite satisfied. We would be satisfied if they sold it at 10 cents.

By Mr. Homuth:

Q. You would be much better satisfied because you would not have to make as big an investment and you could still make the same profit?—A. Yes.

By Mr. Johnston:

Q. You could make the same profit with a lower selling price, but the same margin?—A. Yes, we may sell more bread too.

Q. In view of the fact you may sell more bread, you may make a greater or equal net profit?—A. Yes.

MR. PINARD: Has Mr. Dyde finished his questions?

MR. DYDE: These questions are germane to the point I raised, so I shall not go back to it until they are finished.

By Mr. Pinard:

Q. Going back to what I said a moment ago, you told us that Steinberg's was a family affair. Would you give us the names of those on your board of directors?—A. We have no outside directors in our firm. Is that the point with which you are dealing? Do want to know who they are?

Q. Yes.—A. We are five brothers and two brothers-in-law; nobody else. There never has been anybody else.

Q. I want to know whether or not your corporation has any interest in any other organization at all?—A. We never have.

Q. You do not have any interest directly in Richstone's Bakery, for instance?—A. Never have, no. We have never entered into any written agreement with them either.

Q. Besides your warehouse and stores, do you possess any interest in any other, let us say, baking industry or flour industry or anything else?—A. No outside interest.

Q. You do not manufacture anything, do you, that is what I should like to find out?—A. Manufacture only—what would you call manufacturing, now?

By Mr. Lesage:

Q. Processing?—A. We cut our own butter; make our own chicken pies; roast our own cashews; have our own laundry and do all our own pre-packaging. It is all our own.

By Mr. Pinard:

Q. All this has to do with the goods handled in the retail stores?—A. That is right, our own stores.

By Mr. Lesage:

Q. You do not sell any services to companies outside your stores?—A. No, never have.

By Mr. Pinard:

Q. Would you be able to produce your last financial statement?—A. We could. The only thing is that, since we are a private company and never publish figures, I would prefer not to do so. If you want me to do so and order it, I shall.

Q. The purpose of my question was to get the particulars for which I was asking some time ago. If you have them, I do not see any particular purpose in having you disclose that?—A. The investment in a store today is very, very high. It is not good business for our competitors to know just how much money we have at our disposal.

Q. I would be interested in getting your net margin of profit for the last year.—A. We would be glad to give it to you, sir.

By Mr. Lesage:

Q. Both on sales and invested capital?—A. We would be glad to give you anything you want.

By Mr. Pinard:

Q. Are you objecting to giving us the employed capital?—A. I would not know it offhand, like this. I would be glad to furnish anything that would be of any help.

By the Vice-Chairman:

Q. You take the position your life is an open book, do you?—A. Except that I wish you would appreciate it puts us in a difficult position with firms who have public funds at their disposal. They know we are embarking on heavy expenditures. They know we are building some very large and beautiful stores. They are a big investment. It would not serve our purpose to have them know how much money we can raise.

By Mr. Lesage:

Q. You can give us your gross profit on sales?—A. Yes.

Q. Can you give it this morning?—A. I have not got the statement here. I can give you the breakdowns.

Q. You do not have the totals, but you gave us a figure a moment ago?—A. You mean the average?

Q. Pardon me, you gave us a few moments ago your total sales of groceries coming out of the warehouse?—A. Mr. Lesage, I think I can be of some help to you.

Q. You can?—A. We will take the week of February 7, 1948. The average on everything was 15.96, the gross margin on everything.

Q. Including meat?—A. Everything.

Q. What were the total sales for that week?—A. That is something I would not want our competition to know.

By the Vice-Chairman:

Q. At this point, I should like to know whether you can detail what became of that—was it 15 per cent?—A. I can give you breakdowns.

Q. What was it?—A. 15.96. I can give you breakdowns.

Q. To what purpose was that used? I am asking so I can see what is not included.—A. Everything we sell is included.

Q. Yes, I realize that, but that is the profit taking into consideration certain things. For example, you take into consideration your purchase price of the articles and that is what we call a prime profit, perhaps, in some parlance. Now, to what uses is the 15.96 put—into rent, for one thing, I have no doubt?

Mr. LESAGE: How was it distributed?

By the Vice-Chairman:

Q. That will show what is not included in the former?—A. When we talk about 15.96, that is the gross margin on every dollar's worth of business we did that week.

Q. I was not asking that you should break down the 15.96, as to the percentage which went for rent and the percentage which went for wages; just what are the items?—A. But that will not add up to 15.96.

Q. No, you will have something, finally—I would hope so, if you are going to stay in business.—A. We have managed to do that.

Q. You have managed to do that so far?

Mr. JOHNSTON: With a little struggle, they managed to keep in business.

The WITNESS: If you wish to talk about struggles, I can tell you I was working for twenty-two hours a day when I started.

Mr. JOHNSTON: What did you do with the other two hours, sleep?

The WITNESS: I had to be home sometimes.

By the Vice-Chairman:

Q. How did that 15.96 get distributed; I mean, of what is it made up?—A. That is per week.

Q. Oh yes, of course.—A. It does not vary much, the averages are very close.

Q. But the items is all I wanted.—A. If you want that I will tell you; there is grocery staff payroll, repairs and remodelling, market payroll, warehouse payroll, office and fixtures that we make payroll, administrative cost—

Q. For the purposes of my question the word "payroll" would have covered it. Now, besides the payroll?—A. There is administrative cost and there is store expense and plant expense.

The VICE-CHAIRMAN: On that question, Mr. Lesage, as far as I am concerned, I will drop it for the time being and come back to it later on.

By Mr. Lesage:

Q. Does that expense include the building of your stores and remodelling?
—A. That would come under a different heading.

Q. A different heading?—A. Yes.

Q. Would it be included in your financial statement?—A. Everything, there is nothing left out.

Q. Even the remodelling?—A. Everything has to come out of this 15·96.

Mr. PINARD: Have you got the figures for the whole year?

The WITNESS: I haven't got it here, I have been asked to supply it.

By Mr. Lesage:

Q. I have just one last question, if you don't mind, Mr. Chairman. You said from January 1 to February 14, 82·1 per cent of your total sales of bread were Big City brand?—A. Yes.

Q. And in September the proportion was only 65·44 per cent?—A. I will just look that up for you, Mr. Lesage.

Q. That is the statement you gave Mr. Dyde earlier, 82·1 per cent from January 1 to February 14?—A. That is correct.

Q. And 65·44 from September?—A. Yes.

Q. Has that increase between December and January been regular?—A. I can give you each month. I've got that.

Q. I did not ask you for that, I am just asking you if it has been a regular and steady increase?—A. Perhaps the best way I can answer that is to give you the figures.

Q. All right?—A. 65·44 for September; 75·75 for October; and 79·53 for November; then I see it is 70·80 for—what do you call that?—that is for the full year. I think I was asked to give that. I have given you September, October and November, and then I think I come to January. That is the way I have it here.

Q. I notice there has been a steady increase?—A. Yes.

Q. To what factors is that attributable?—A. I suppose there are people who like our bread and like the price.

Q. And like the price?—A. Yes, and like the bread; you have to have both.

Q. And your Big City bread is good bread?—A. The very best.

Q. Do you know anything of the quality of Big City bread as compared with the quality of other bakers' brands?—A. I do not have the formula for any of the others.

Q. I'm not asking you that, do you know anything about that?—A. No. The only way a merchant judges is on his repeat sales with his customers. That is the way you judge what particular kind of bread people like best.

Q. And so far as your own store is concerned, the trend is upwards?—A. Last week we had to cut the order for the stores by some 10,000 loaves because we could not get sufficient bread.

Q. You mean from the bakery?—A. That is right, their capacity couldn't handle it.

By Mr. Pinard:

Q. There may be another reason there than the quality of the bread, it may be a question of price?—A. It is both price and quality.

Q. Your price as compared to the increased price of the others?—A. Price has a bearing, very definitely. That is what we mean by price.

By Mr. Johnston:

Q. Are there any complaints about price at all from your customers?—A. Not from our customers.

Q. Or from any other sources?—A. I do not think so.

By Mr. Pinard:

Q. Were you approached by any bakers' association about the sale price of your bread?—A. Not that I know of. Do you mean about the price that we are selling at as against the 14 cents, or something like that?

Q. Yes, the fact that you are not selling at 14 cents.—A. I have not been approached.

Q. By anybody?—A. No.

By Mr. Winters:

Q. Some time earlier the witness indicated that the attitude of the bakery companies was that if they decreased the price of their bread it might suffer a loss of prestige?—A. I did not say that the bakers indicated that, that was my own opinion.

Q. That was the attitude you expressed?—A. I said once you drop the price—

Q. You suffer a loss of prestige?—A. Yes.

Q. Do you think your 10-cent loaf suffered any loss of prestige in comparison with the higher-priced loaf?—A. I think I could answer that in this way; when that bread was selling at a price of 10 cents we sold ours at 7½ cents. We tried just as hard to sell it then as we do now and we did not obtain the same results. I think that speaks for itself.

The VICE-CHAIRMAN: You did not get the same results?

The WITNESS: Yes.

By Mr. Winters:

Q. As when you were selling it at?—A. Two for 15, and when the other brands were selling at 10 cents.

Q. You did not get as good results as you are getting now at the 10-cent price?—A. That is correct.

Q. How do you reconcile that with the statement which you made just a short time ago? Personally, I find a little difficulty in reconciling those two statements.—A. Well, people felt that the bread which we were selling at two loaves for 15 cents could not possibly be as good as the 10-cent loaf. At the present time a considerable percentage of people apparently feel the other way about it. I suggest that the figures speak for themselves.

Q. When you raised it to 10 cents people apparently did not regard that as an overcharge?—A. They did not regard it as an overcharge. Apparently they considered it in comparison with the 14-cent price they had to pay for the other brands of bread.

Q. That is why I find it difficult to reconcile your statement about the cheaper price resulting in a loss of prestige and on the other hand people regarding your lower-priced loaf as a good buy?—A. Well, people fix instances in their minds; for instance, if we were short of Harrison Brothers 14-cents and there was Canada Bread 14 cents they would regard that as the same price plan.

Q. One more question, since you have been getting 10 cents for that loaf of bread there has been a steady increase in the volume of your sales; do you feel that if the bakers were to cut their price to the consumer they would benefit over-all by an increase in the volume of sales?—A. Very definitely. Very definitely. And the downward trend would probably mean that we would not have nearly as great a sale for our loaf.

Q. You think they prefer a higher price as compared to your price?—A. Yes.

By Mr. Dyde:

Q. Mr. Steinberg, are you able to produce the formula for your Big City bread?—A. Let me put it this way; I have with me the formula that Richstone have given me indicating what they put into our bread. I have been asked for it. I do not think it would be fair to Richstone or other bakers for me to give you that formula, but if I am ordered to do so, that is all there is to it.

By Mr. Winters:

Q. Can you tell us the cost of the raw materials that go into that particular loaf?—A. Yes, I can give you that.

Q. Have you got the cost?—A. Oh sure, I have.

Mr. LESAGE: Have you got it for a loaf of bread, for instance?

The WITNESS: Yes, I have it.

By Mr. Dyde:

Q. Following up your reply to my question with regard to the formula, Mr. Steinberg, I do not want to press you too hard, but I would like to ask you if there is any real reason why the formula should not be produced?—A. I think it would be very unfair to Richstone's and any other bakers; and, again, this is a formula which they submit to me and I am not really in a position to know if that is the formula they follow.

Q. I certainly do not want you to produce the formula if you are not sure of it.

Mr. LESAGE: You cannot swear to it?

By Mr. Pinard:

Q. Does the same thing apply to the formulas from other bakeries?—A. We are only interested in this one because it happens to have our name on it—Big City and Steinberg's on it.

Q. Are you interested in the others?—A. It would not interest us because it takes up time and costs money.

The VICE-CHAIRMAN: I got into trouble using the word "hearsay" with reference to a witness' evidence; still I think the witness here is making it pretty clear that he cannot swear to the correctness of this formula.

The WITNESS: I am trying to be reasonable, sir.

Mr. JOHNSTON: Can you also not swear to the elements of cost that go into it? Would that not also be hearsay?

Mr. LESAGE: He could indicate to us what he has.

The WITNESS: I can be very safe in saying that this is probably the formula that is followed; just the same, still, I do not know.

Mr. JOHNSTON: I think you take very sound objection and I am not quarrelling with you on that score.

The WITNESS: If I can be of any help in giving you the cost figures I have—

Mr. LESAGE: Let us have them.

The WITNESS: 5.368.

Mr. WINTERS: That is for the raw materials?

The WITNESS: That is the cost of the ingredients for that loaf of bread.

Mr. FLEMING: Is that hearsay from the baker?

The VICE-CHAIRMAN: Yes.

The WITNESS: No, no; I have in figures.

Mr. FLEMING: This witness has said nothing about costs.

Mr. LESAGE: We can take it as an indication but not as evidence.

The VICE-CHAIRMAN: Mr. Steinberg is making it quite clear that the information he is prepared to give with reference to these costs, and with reference to the formula if he were giving it, is what the baker has informed him.

The WITNESS: What he supplied me.

The VICE-CHAIRMAN: You have no personal knowledge of the correctness of these figures?

The WITNESS: No, sir.

Mr. FLEMING: We are wasting time. Why not get the baker himself?

Mr. PINARD: It is only to get an idea.

By Mr. Winters:

Q. Does that include the wrapper?—A. This is only ingredients.

Q. Can you give us the wrapper, labour and overhead?—A. I have it but I do not know that I could —

Mr. LESAGE: You could give us the wrapper.

The VICE-CHAIRMAN: Just a moment. The fact that this is information supplied to him does not make it invalid here. There has been a great deal of hearsay evidence put in, I believe.

Mr. JOHNSTON: I believe we should get the baker for this. It seems to me it is a waste of time otherwise.

The WITNESS: It is fair to the baker, anyway.

Mr. JOHNSTON: I think it would be only fair to the baker that he should be called in to give his cost price. This is not reliable evidence. It is just wasting the time of the committee because we will have to go over the whole thing again.

By Mr. Pinard:

Q. Do you know what is the brand of flour used?—A. No, he does not indicate. He indicates the grade though.

The VICE-CHAIRMAN: It is two or three minutes early but I would suggest we might adjourn. That clock up there is not quite right. It is a little bit fast. It seems about the right moment to adjourn.

Mr. FLEMING: Are we finished with this witness?

The VICE-CHAIRMAN: No, we are not through, but you will embark on a new line at this point.

Mr. FLEMING: I can take up three or four minutes now.

By Mr. Fleming:

Q. Has the witness any figures on volume of sales since September?—A. I have them.

Q. Can you give us any figures on volume of sales to enable us to compare volume of sales before and after decontrol?—A. I can give them to you. The only thing is I have not got it very much before that date.

Mr. LESAGE: Before September 22.

By Mr. Fleming:

Q. It is an easy matter for you to keep records of your sales because you are doing it really on a commission basis?—A. I think I have the whole year here. I have the whole year of 1947.

Q. Is that broken down by months?—A. Yes, it is.

Q. Can you give us those figures, please? Is it broken down between the two classifications, Big City brand on the one hand and bakers' brands on the other?—A. Yes, sir.

Q. Is it in table form that could be put right on the record?—A. Yes.

Mr. DYDE: I think he could read it in now really faster than we would get it the other way.

The WITNESS: There is a lot of reading here. However, I am ready to do it.

Mr. DYDE: All right, you can read that pretty fast.

The WITNESS: I can give it to you in dollars, loaves and pounds.

Mr. FLEMING: Give us the loaves.

Mr. JOHNSTON: I suggest if the document were put in as an exhibit it would be much easier to follow.

Mr. DYDE: We can certainly put it in as an exhibit.

Mr. JOHNSTON: If he reads it off one item after another I do not think it is possible for us to follow it.

The WITNESS: It will not be hard because there is a definite trend.

The VICE-CHAIRMAN: Wait just a moment. You will have to consider the reporter in reading this. I suggest that perhaps you will be good enough to lend it to the reporter to copy.

The WITNESS: All right. Will I go ahead?

The VICE-CHAIRMAN: Yes.

The WITNESS:

	Big City Loaves	Other Companies' Loaves
1947		
January	142,671	70,071
February	138,168	58,713
March	150,936	46,354
April	143,302	60,056
May	144,728	50,035
June	135,259	48,278
July	134,589	57,427
August	124,582	49,039
September	132,440	51,515
October	281,982	69,422
November	253,130	50,770
December	264,879	54,227
1948		
January	263,256	56,391
February (two weeks)	132,706	24,075

By Mr. Lesage:

Q. Is there any five-week period?—A. I think we operate on the four-week periods.

Q. Thirteen four-week periods?—A. Yes, that is the way we operate.

By Mr. Johnston:

Q. Can you give us any reason, in your opinion, why that sudden rise took place?—A. The spread in the price. The big increase came at the time when the bakers advanced their price. When they went to 13 and 14 the spread became greater.

By Mr. Lesage:

Q. The quantity of bakers' bread held up fairly well?—A. I can answer that. Our volume has been going up.

By Mr. Johnston:

Q. What was the reason for the volume taking that sudden jump?—A. You mean in our Big City? I have already indicated that it was the differential in price and also the fact of our increased volume. I do not think it is very much out of line with the increased volume. It is only slightly higher.

By Mr. Lesage:

Q. With the trend of your total volume of business?—A. Yes.

By Mr. Pinard:

Q. You have a sudden jump from 132,440 to 281,982.—A. Yes. There is a very definite reason for that.

By Mr. Winters:

Q. You did not open a new store at that time?—A. No. We hope to open one in about two weeks. I hope it is on time.

By Mr. Fleming:

Q. Are there any other factors you can give the committee now which might account for this huge increase in your Big City loaf sales between September and October last except the result of changes in price?—A. I think a lot of people for the first time tried the Big City loaf and they were surprised to find how good it was. That is the answer, I am very serious about that.

Q. I gather the gist of it is that following decontrol and the increases in price in September people switched to a cheaper loaf, but in the result, far from there being any net decrease in consumption of bread there has actually been a substantial over-all increase?—A. To some extent, yes.

Q. You say "to some extent." It is very considerable is it not?—A. Our volume as a whole advanced; total sales advanced.

Q. I am only speaking of your experience. So far as your sales of bread representing consumption there apparently has been a very great increase in the consumption of bread?—A. Yes.

Q. Since September last?—A. Yes, but I must relate that to the number of people who shop in our stores and our total over-all stores.

Q. Does that mean that more people are being attracted to your stores now than were patrons of yours prior to last September?—A. I would think so, yes.

Q. What is attracting people to shop at your stores now for bread who were not going there prior to September last?—A. The differential in price and the quality of the bread.

By Mr. MacInnis:

Q. Are your total sales for all items up as well, for everything you sell?—A. Up, yes, very definitely.

The VICE-CHAIRMAN: Gentlemen, the committee will stand adjourned until 4 o'clock. The meeting will be in this room.

The committee adjourned to resume at 4 o'clock p.m.

AFTERNOON SESSION

The committee resumed at 4.00 p.m.

The CHAIRMAN: The meeting will come to order. I neglected to report this morning that the steering committee has decided that a representative of the Canadian Association of Consumers will be heard on Friday March 12. The committee is not anxious to deviate from a decided course or program, and at that time it will be engaged in an investigation of another commodity. However, the steering committee did feel that this national organization of consumers should be afforded an opportunity at that time of placing before the committee the consumers' point of view. The committee took note of the request of several organizations who asked to appear and express the consumers' views, and particularly the committee noted those which came from the province of Quebec. In regard to those sectional consumers, or provincial consumers, organizations, the committee will point out to those making representations that it is our decision to hear the National Consumers Association on March 12. If the sectional organizations have any facts, which in their opinion should be presented to the committee, they should address a brief to the committee. Upon receipt of the briefs it will be decided whether witnesses from those organizations should likewise be called. The steering committee fully shared the view of the whole committee as to the importance of the consumers' point of view in these matters.

Mr. DYDE: Mr. Steinberg is still on the stand but I have no further questions.

Sam Steinberg, Steinberg's Groceterias, Limited, Montreal, recalled:

By Mr. Pinard:

Q. I would like to ask you one question. Do you personally know if there is any difference in quality and nutritional value between the Big City bread and the other?—A. I would not know.

Q. You have no idea at all?—A. No.

The CHAIRMAN: We might instruct the secretariat on that point, which I think is important, to see that steps are taken to have the laboratory of the Department of National Health and Welfare make experiments on this bread, as it is now doing as a matter of fact with the breads which have previously been discussed before the committee.

Mr. MAYBANK: It was my understanding that the laboratory would take care of the breads under discussion at the time the request was made together with those breads which may come before us from time to time.

The CHAIRMAN: It takes about a week to make the analysis.

Mr. PINARD: All the witnesses that we have had up until now from chain stores which were selling the two types, one at 10 cents and one at 14 cents, said they were of the opinion both types of bread were of the same quality.

The CHAIRMAN: Yes.

Mr. PINARD: If there is one fact, in my opinion, that will greatly affect the rise in price of bread it is whether or not the nutritional quality of those two types of bread is the same. There is no reason at all, in my opinion, why they should be sold at different prices.

The CHAIRMAN: Yes, Mr. Dyde, have you taken into consideration a report made by Mr. McGregor as to the cost of bread delivery from the baker to the

consumer, allowing for a reasonable profit on the effort taken to make that delivery? Now, we have before us the fact that some bread is sold at 10 cents and some at 14 cents. Assuming that there is comparatively equal nutritional quality, what is the real cost involved in delivery with an allowance for a profit there? I think if our inquiry is to be complete that question will have to be dealt with at some time or another. Mr. McGregor's report was made I think in 1931, or perhaps earlier, but it covered that very point.

Mr. DYDE: It was made in 1931.

The CHAIRMAN: Yes, 1931. Now, I do not know whether the estimated cost of delivery, allowing for a profit, as contained in the McGregor report, is of any validity today but I think that should be ascertained.

Mr. DYDE: Yes, Mr. Chairman, that is being given consideration.

The CHAIRMAN: It is?

Mr. DYDE: Yes.

By the Chairman:

Q. I wonder if I could ask the witness some questions. We know that some bread is sold at 10 cents and some is sold at 14 cents. We also know that some bread, not all the bread, but the bread made by at least three companies, is sold for 14 cents both in the store and when delivered. Now, do you know of any earthly reason why that bread when called for by the consumer should be sold at 14 cents?—A. The number of breads of each baker that we buy—the quantity is very small and the amount of handling that goes into it makes it necessary to sell it at 14 cents at the store.

Q. I wonder if I make myself clear? I am not talking about your store—A. I appreciate that.

Q. I am talking about let us say store "A". Mrs. Smith wants some bread?—A. Yes.

Q. And if she calls up the baker and has it delivered she pays 14 cents. If she goes to the store herself she pays 14 cents for the very same bread although she has undertaken to expend the energy to call for it. In other words, she has removed from the baker the cost that would be involved in the delivery which in the McGregor report is stated to be between $2\frac{1}{2}$ and 3 cents. Assuming the cost of delivery now is still between $2\frac{1}{2}$ and 3 cents how can there be justification for charging 14 cents when there is not the same overhead cost?—A. Well if we were sure that Mrs. Smith would come and buy her bread regularly from us as she does from the baker when he goes to her home, we would be able then to sell it for a lower price.

Q. You say "we", but I am not talking about you?—A. That goes for almost any store.

Q. Is not that what happens to thousands of people who do call for their own bread?—A. No, she only does so at her convenience. She may decide that she does not want bread that morning and later finds that she needs it.

Q. Do not thousands of people do that very thing? They buy their own bread at the grocery store regularly?—A. No, from the fact that 80 per cent buy it at the 10 cent price is an indication most of those people bought at at one time at the house from the rig and now they figure they want to effect a saving. They do not just come for bread, they buy meat, fruit and groceries all at the same time but they are satisfied and they would rather carry it away than have it delivered to the house. The customer determines that.

Q. But is it not a fact that in the delivery from the baker to the consumer there are additional costs involved, cost of the actual delivery of that bread?—A. That is correct. You mean delivery to the store?

Q. No, no, from the baker to the consumer?—A. Very definitely.

Q. There is time spent in promotion of sales, time spent in promotion of the sale of cake and so on. I am not convinced, although I am not saying I do not accept your answer, but I am not convinced that we have got a clear picture yet as to why the consumer should pay the same price for bread in the store when the justification for the higher price requested by the bakers is alleged to be increased costs including cost of delivery.—A. May I answer the question this way. If the bakers instead of visiting our store would deliver the same bread to our warehouse we could get it to the customer for less money, even though it means an additional operation to us.

By Mr. Pinard:

Q. Why?—A. Our method of distribution is not the same. When we deliver groceries, or anything else from the warehouse, it goes with a complete truck. It is not as if the driver walks up and puts a dozen bread on the vehicle. I think in giving the figures earlier, the time consumed is not the same. When the baker comes into our store he judges our requirements and that takes time. That is a job we do ourselves and when we deliver from the warehouse we deliver in large quantities.

Q. Yes, but you would have to find out some way?—A. It takes time and time is a very costly factor.

Q. It would take you the same time to do it?—A. I will just give you that. The average for eighteen stores with General Bakeries was 71 loaves of bread. That is per store for a week. That means to say it is an average, if you divide that in six, of twelve breads at a time.

Q. A week?—A. No it is twelve breads a day, 71 in a week.

Mr. LESAGE: For one store?

The WITNESS: Yes. That is an average over eighteen stores. That means that the baker delivers twelve breads at that one time. I would say it is almost a case of not paying for the baker's delivery. It is only because the driver is interested in holding the account and it does not pay the bakery for the time involved and the profit that he gets out of it.

Mr. PINARD: Would you follow that out and say how you could do it more cheaply?

Mr. DYDE: He did give evidence on that this morning.

The WITNESS: Yes, I did.

By Mr. Irvine:

Q. May I ask if the witness could hazard a guess, and I suppose it would be only a guess, as to the percentage of bread delivered by bread wagon in the city of Montreal and the percentage that is sold from the stores?—A. I have no idea at all.

Q. How could we get such a figure?—A. I guess the bakery people could furnish the percentage of store sales and the percentage for home to home, each in their own way.

By Mr. MacInnis:

Q. Mr. Chairman, might I ask the witness a question. In exhibit 20, Dominion Stores gave evidence I think that the Montreal price of bakers first quality was raised simultaneously on February 2 by five suppliers. Dominion Stores through Mr. Squair, at page 404 of the evidence stated that five of their Toronto suppliers, Dempsters, Christies, Brown's Bread, Watsons and General Bakeries raised their price on February 2. I think Mr. Steinberg shows the retail price of bread supplied by Harrison Brothers, Canada Bread, Inter City Bakeries, Dent Harrison and James Strang, went up from 13 cents on the same

day. My question is would the witness care to comment on this. That is, how did you receive an intimation that the price was going up from 13 to 14 cents on February 2? Was there any special notice or did the invoices received show a change on the same day?—A. I have indicated how these drivers come to the store and also how they make out their invoices and that is the only way I would know.

Q. Well do you think it was a mere coincidence?—A. As far as we are concerned?

Q. Well yes?—A. I could not comment on that. I would not know the first thing about it.

Q. Did you think it strange all of them should have the same change of price on the same day?—A. I could not say.

Q. Surely you have an idea on that?—A. Well it is not unusual in the grocery business for firms in competing lines to hesitate. In other words some may find it necessary to put the price up but they are reluctant to advance the price before their competitors for fear of losing business.

Q. How would those competitors know the others were raising their prices on that day?—A. I am sure they did not take me into their confidence at that time or at any other time to discuss it and ask our opinion or anything like that.

By Mr. Johnston:

Q. When their salesman came around did he tell you bread would now be selling at 14 cents instead of the other price?—A. Mr. Johnston, they go to the store, deliver the bread, and they probably say bread is 14 cents and make out the invoice accordingly.

Q. So when the salesman came around to deliver bread would he say "now today the price of bread will be 14 cents" and that is how you would be informed as to the 14 cents?—A. That is right.

Q. You took no exception, you just sold it for 14 cents? Now can you tell me this and I am assuming for a moment that the quality of the bread is just about the same in the 10 cent loaf and the 14 cent loaf; We had evidence there was not a great deal of difference in the quality if there was any at all, I am just wondering if all bread were sold at 10 cents would it materially affect your sales?—A. If they all sold bread at 10 cents throughout the city?

Q. Yes, if everyone sold bread for 10 cents?—A. You mean in our store or stores in general or drivers?

Q. I think you can only speak for your stores?—A. If they all sold for 10 cents?

Q. Yes.—A. Definitely, we would lose business on Big City.

Q. Could you carry on then, do you think, if all bread was marked at 10 cents rather than some at 10 and some at 14?—A. I think I have given you the answer. Some of the other brands would sell if the price was the same.

By Mr. MacInnis:

Q. You would sell the same amount of bread, though?—A. It would depend on the prices the others had.

By Mr. Johnston:

Q. If the other stores had their price at 10 cents, too?—A. We would sell less bread.

Q. Do you think people would stop eating bread just because the price was 10 cents?—A. No, but there would be no reason for a woman walking six or seven blocks if it would serve her purpose to walk only one block. Why walk an additional five blocks if there is no saving effected?

Q. If she is used to buying bread at your store?—A. She will not lug bread unnecessarily.

Q. Pardon?—A. She will not carry bread unnecessarily. Have you ever tried carrying home three or four loaves of bread?

Q. Does she ever carry bread home unnecessarily?—A. Very definitely—not unnecessarily, she carries it home because she feels she is effecting a saving. She is effecting that saving because she is putting herself out.

Q. Whether she is effecting a saving in quality or not?—A. We are concerned only with the price. If they repeat and keep buying it, they are satisfied with the quality.

Q. I am afraid you do not get my point. Either that, or I am not following your explanation very carefully. I was wondering, if all the bread in your store were the same price even the 14 cent loaf were selling for 10 cents—you could have the difference in brands indicated if you liked—but the price would be the same and all brands were selling at 10 cents, would that make any difference in your volume of sales?—A. Definitely, we would be doing less bread business.

Q. I cannot understand why.—A. It is clear. A lot of people who have been accustomed to buying bread at the house find 14 cents too high. Rather than avail themselves of that service, they inconvenience themselves to go to the store.

By Mr. Maybank:

Q. You are presuming, in that answer, something Mr. Johnston has not asked?—A. No—I am sorry.

Q. You are presuming that the 10 cent price would be at the house, too, but I do not think that was in the question, was it?—A. No, I am presuming that the price at the house would remain at 14 and only in our stores it would be 10. Let me put it this way to you: if all our bread, all leading brands, were one and the same price, we would sell less of ours.

By Mr. Johnston:

Q. But the over all sale of bread from all the stores in town would be the same; it could not help but be?—A. The point is this; it all depends on the store, on the kind of store, what business would be done under any circumstances, in relationship to the sales in other stores. If we did more business we would make more bread sales, the price being equal.

Q. You do not think there would be as much business in bread if there was a uniform price of 10 cents—A. I do not say that.

Q.—as there is by having a 10 cent and 14 cent loaf?—A. No, I do not wish to imply that at all.

Q. That is the type of answer I am trying to get.—A. I have in the back of my mind that, if I am selling at 10 cents and the consumer can get it at his house for 10 cents—is that what you have in mind?—the price being equal we would do less business. As I have indicated earlier, bread sold at a store, the bakers' brands, whatever the price may be, is only a convenience.

Q. Is it not a fact some brands which are delivered at the house are the same price as at the store?—A. That is why our sales are very small; that is what I was trying to say.

Q. That is affecting your sales?—A. That is not affecting my sales, we are just tying in with the baker. In other words, if the customer decides she does not want bread and then finds she needs it, she has the opportunity of going to the store to get it.

That is why, in answer to Mr. Martin's question, I said if she would assure us she was going to buy bread day in and day out at our store, she could get it cheaper.

The CHAIRMAN: Look at the A & P Stores, they sell 1,800 loaves of bread in one day at one store.

The WITNESS: I am going to take advantage of that question, Mr. Chairman—

The CHAIRMAN: The impression you have conveyed to Mr. Johnston is that the amount of bread sold at 10 cents in the stores is not very great. The evidence we have had from the A & P is that it is a tremendous amount.

The WITNESS: It is when there is this price spread.

Mr. MAYBANK: Between 10 cents and 14 cents.

By Mr. Mayhew:

Q. Is not this what would happen; if the price of all bread were the same in your store a customer coming in would ask for the best advertised bread? The customer would have no other bread in mind?—A. The one she favoured.

Q. The one she favoured, she would ask for the one which was best advertised?—A. Ours is a complete self-service operation and the customer would pick the one she thought she preferred.

Q. If that happened to be the brand she was accustomed to using, that is the one she would pick?—A. Yes.

Q. The actual consumption of bread throughout Canada would not go down simply because it was 10 cents?—A. No.

By Mr. Pinard:

Q. Would it not increase if the price were lower?—A. So long as you have bread at 10 cents, it would not increase.

By Mr. Johnston:

Q. The effect would be on the quality rather than the price?—A. Yes, and merchandising ability; form and a lot of other things.

May I answer Mr. Martin's question? I just want to get in a plug for our stores.

The CHAIRMAN: As a matter of fact, I think all companies whose representatives have appeared before this committee will show an increase in their sales within the next few days.

The WITNESS: I am referring to the 1,800 loaves of bread to which you referred in connection with the A. & P. We have a store, here, which sells 8,700 loaves of bread a week, not 1,800.

By Mr. Irvine:

Q. I have here the information for which I was asking a few minutes ago with respect to the delivery of bread by vans or wagons as compared with that sold by stores, in every province of the Dominion of Canada and by towns. I find there is one province in the dominion which does not deliver one single loaf of bread by wagons, so it ought to be cheaper in that province than anywhere else if the evidence just given by the witness is correct. I should like to find out what the price of bread is in Prince Edward Island?

By the Chairman:

Q. Do you know what it is, Mr. Steinberg?—A. No.

By Mr. Johnston:

Q. I have one or two more questions I should like to ask the witness. Probably the witness has been listening to the evidence which has been given here within the last few days?—A. No, when I arrived here I was very sick.

Q. I suppose you are sicker now?—A. No.

Q. I hope your health has improved.—A. No, I have a back injury and I have a truss on it.

Q. It has been pointed out to the committee that Colonel Ruttan had been meeting with some of the other bakers discussing the possible increase in price

when controls were lifted. Did you ever have any conversation with Colonel Ruttan?—A. No, I never met the gentleman. I was here when Mr. Bird gave that evidence.

Q. Did you ever have any conversation at all with Mr. MacKinnon when he used to be the Minister of Trade and Commerce?—A. No.

Mr. MAYBANK: Hector McKinnon?

Mr. JOHNSTON: Mr. Lesage points out that there was an error the other day when it was said to be the Hon. Jim MacKinnon.

Mr. MAYBANK: I think there are too many MacKinnons. I do not think the MacKinnon in question was the Minister of Trade and Commerce but probably Hector McKinnon.

Mr. JOHNSTON: You will probably remember I repeated that question to Mr. Bird to make it clear which MacKinnon he meant and he did tell me it was the minister.

Mr. DYDE: He did say that.

The CHAIRMAN: And I suggested to you that was in 1941 and we were concerned about the recent rise in the price levels.

Mr. JOHNSTON: That does not make any difference to the MacKinnon, whether it was in 1941 or not. Did you ever have any conversation at all, either you or the other senior members of the company with any of the Wartime Prices and Trade Board officials?

Mr. LESAGE: About bread?

The WITNESS: No.

By Mr. Johnston:

Q. None at all?—A. No.

The CHAIRMAN: Mr. Dyde has three witnesses he is hoping to dispose of this afternoon. Are there any more questions of this witness?

By Mr. Pinard:

Q. I have here a report from the Dominion Bureau of Statistics to which reference was made a minute ago by Mr. Irvine. I find the selling price of bread on page 13. The selling price at the factory, per pound of bread, is listed here for every province in the Dominion of Canada. I am going to ask you this question because most of your business is in the province of Quebec. I find here that the selling price at the factory in the province of Quebec is 5 cents and it is lower than anywhere else.

Mr. MACINNIS: What is the date?

By Mr. Pinard:

Q. By the pound, I mentioned that. Still, it is lower than anywhere else. For instance, in the province of Ontario it is 5.9 cents and in the province of British Columbia it is 7.2 cents. However, the same retail prices prevail in the provinces of Quebec and Ontario and there has been the same increase in price in both provinces. I find that for every year from 1929 to 1945 included, the price was lower per pound in the province of Quebec than anywhere else. Could you give us the explanation for that?—A. I could not. I do not know anything about it.

Mr. LESAGE: I can answer Mr. Pinard. In 1945, in the rural districts of the province of Quebec, bread was much cheaper than anywhere else. However, in Montreal bread is usually the same price as in Toronto.

Mr. MAYBANK: I think Mr. Lesage should be sworn.

Mr. PINARD: How do you know that?

Mr. LESAGE: Because I live in Quebec.

Mr. MAYBANK: He ought to be sworn if he says he is living in Quebec.

By Mr. Pinard:

Q. You cannot give any answer to that question?—A. No.

The CHAIRMAN: All right, Mr. Dyde. Who is the next witness? Thank you very much, Mr. Steinberg.

John M. Arnold, Director, Pickering Farms Limited, sworn:

By Mr. Dyde:

Q. What is your full name?—A. John M. Arnold.

Q. You have a company in Toronto by the name of Pickering Farms Limited?—A. That is correct, sir.

Q. You are an officer of that company?—A. Yes, sir.

Q. Are you president of that company?—A. No, sir.

Q. Who is the president?—A. Harry Arnold.

Q. What is your office?—A. Director.

Q. It is a retail store that you operate?—A. Yes, sir.

Q. Entirely retail?—A. Entirely retail, with the exception of some wholesale by-products.

Q. So far as bread is concerned, it is entirely retail?—A. Entirely retail.

Q. It is a general grocery business?—A. That is right.

Q. Have you more than one store?—A. Just one, sir.

Q. What is the address of that one store?—A. 692 Queen street east.

Q. Would you describe, briefly, the basis of your operations?—Have you a farm?—A. We have three farms.

Q. And the produce from those farms comes in and is warehoused by you?—A. The produce from our farms is mostly livestock. On one of our farms at Whitby we have a slaughtering house; a processing plant; an egg grading station; mushroom farms; chicken killing and grading station. All the merchandise which is handled through this plant at Whitby is sold in our one unit in Toronto.

Q. Is your retail store in Toronto self-service?—A. It is self-service; yes, sir.

Q. No deliveries made at all?—A. No deliveries.

Q. How much bread do you sell a day?—A. That is fairly hard to answer and give it accurately, sir. I have the sales of bread from Monday through to Saturday and they greatly increase; I would say roughly 5 per cent of sales are on Monday and it increases pretty much to Saturday when on Saturday we sell possibly 50 per cent more.

Q. How much do you sell in a week, in any week that you would like to take, recently.—A. I could give it to you by months.

Q. How much a month?—A. In January, 1947—6,245 loaves.

Q. That is in the 24-ounce loaf?—A. 24-ounce.

Q. What is the proportion of your bread sales to total sales in your store?

Mr. JOHNSTON: Do you mean 1947, or 1948?

The WITNESS: 1947.

Mr. PINARD: Could you give us the same information for January, 1948?

By Mr. Dyde:

Q. Can you give us the same figures for January of 1948?—A. 8,461. 24-ounce loaves.

Mr. PINARD: Would you ask him back to September, Mr. Dyde.

By Mr. Dyde:

Q. Can you give us September of 1947?—A. 3,456.

Q. Now, could you give me an answer to the question I asked you before as to the proportion of your bread sales to total sales in your store?—A. The

relationship of bread to total sales would be 9-10th of 1 per cent. .9 per cent.

Q. What proportion of your bread sales is in the 24-ounce loaf, wrapped and unsliced?—A. 86 per cent.

Q. And, confining your attention to the 24-ounce loaf wrapped and unsliced, from whom do you buy this bread?—A. Christie's, Weston's, Canada Bread and General Bakeries. Those are the four that we purchase the 24-ounce loaf from.

Q. How is your store supplied by the bakers?—A. It is supplied daily, each morning, prior to 9 o'clock by the salesman on that particular route on which our store is situated.

Q. Does he come to the store and examine what you have left of yesterday's bread?—A. Yes sir.

Q. Does he do any changing of the loaves, or is that done by your own staff?—A. No, he changes the loaves, checks what bread is left on the display stand. He checks each loaf and if there are any crippled he takes them out and replaces them.

Q. Is he the one who estimates what the requirements will be, or do you tell him, or does somebody in your store tell him?—A. He estimates the requirements.

Mr. IRVINE: What he thinks will be required for that day?

The WITNESS: That is right, sir.

By Mr. Dyde:

Q. I asked you, Mr. Arnold, to bring along certain information for the committee which has been compiled in mimeographed form which I think you have already examined and that information has been supplied by you with reference to your store?—A. Right, sir.

Mr. DYDE: I will exhibit that as Exhibit 35.

EXHIBIT No. 35: Pickering Farms Limited, statement of selling price and cost—bread.

PICKERING FARMS LIMITED—TORONTO

Selling Price and Cost of 24-oz. loaf of bread (wrapped and unsliced)

	At 1 Sept. 1947	At 18 Sept. 1947	At 24 Sept. 1947	At 27 Jan. 1948
Christie's Bread				
Canada Bread				
General Bakeries*				
	cts.	cts.	cts.	cts.
Selling price—per loaf	10-00	13-00	13-00	13-00
Cost price—per loaf	7-60	10-45	9-98	10-93
Gross margin before deducting selling expenses	2-40	2-55	3-02	2-07
Per cent gross margin to selling price	24-0	19-6	23-2	15-9
*No purchases from this supplier prior to December, 1947.				
Weston's Bread				
	cts.	cts.	cts.	cts.
Selling price—per loaf	10-00	13-00	13-00	13-00
Cost price—per loaf	7-60	10-45	9-88	10-93
Gross margin before deducting selling expenses	2-40	2-55	3-12	2-07
Per cent gross margin to selling price	24-0	19-6	24-0	15-9

The CHAIRMAN: I see we have a 13-cent loaf here.

By Mr. Dyde:

Q. I see by that statement that in the case of all your suppliers the price of bread was increased from 10 cents to 13 cents on the 18th of September but it has not been increased since that date; that is correct, is it not?—A. You mean the retail price?

Q. Yes?—A. It has been increased but we have not increased our retail.

Q. Now, I want you to explain that to the committee. You are still selling bread at 13 cents, are you?—A. Yes, sir.

Q. How is it being invoiced to you?—A. It is being invoiced I believe to us at 11·5 cents cost, an increase of cost to us, and I believe they also increased the price to all the independent stores in Toronto. In this case, our cost is 11·5 cents less the usual 5 per cent bonus.

Q. And what would you have to say with reference to the prices at which you are selling to the consumer; is that the same as any other store?—A. No, sir.

Q. What is it? What is the difference?—A. One cent.

Q. Is your price 1 cent less?—A. Our price is 1 cent lower than the suggested retail by the bakers.

Q. How long have you been selling at 1 cent less than the suggested retail price?—A. Since January 27.

Q. 1948?—A. 1948.

Q. And your figures on Exhibit 35 reflect exactly what you have been doing in the way of selling, you are selling at 1 cent less than the prevailing price of 14 cents, and the figures which you have submitted to the committee are based on that selling price?—A. That is correct, sir.

Q. The wagon price in Toronto—you know what that is, do you?—A. Yes, sir.

Q. It is what?—A. 14 cents, I believe.

Q. Have you had any telephone calls or visits or any messages of any kind from your bread suppliers with reference to the retail price at which you are selling bread?—A. Yes, we have.

Q. Now, I want you to be as specific as you can, Mr. Arnold, in telling us about that. Can you remember the first time you had some communication?—A. I believe the correct date would be January 29. A representative of the factory, a previous salesman at our store came down to see us with regard to our retail on bread.

Q. Who was that?—A. I honestly do not know his name.

Q. Do you know what company he represented?—A. Christie's.

Q. What did he say?—A. Well, as near as I can recollect the idea of his visit was to try to argue me into going up to the suggested price which was marked on the loaf or on a band around the loaf of 14 cents.

Q. What was your reply?—A. I replied that to begin with Christie's in Toronto rather more or less had driven me into keeping my price level at 13 cents.

Q. In what way?—A. January 26, I believe that would be the correct date—it was a Monday morning—the driver had been in the store regularly and very coldly announced that the price of bread had increased, that it would cost us 11·5 cents and we would retail it at 14 cents—it was sort of a morning after the night before with me.

Q. This is a Monday morning.

Mr. IRVINE: Yes, a sort of blue Monday.

The WITNESS: We work all week except Sunday. Anyway, I think I told him that with the continued rise in the cost of living and what we had been reading in the press I did not think the increase in the price of bread was justified. I just told the driver that we would not use any of Christie's bread for that day and we didn't take any of Christie's bread. While this was going

on the other drivers, Weston's and some of the others came. Naturally they were interested and asked was the price of bread still the same? What was the matter? They had no information of any increase. So we went the same on Monday, we sold our bread at 13 cents; and on Tuesday morning the prices had all increased so we said well we will pay the increased price at the door ourselves and we will continue to sell the loaf of bread at 13 cents, feeling that the extra spread of 1 cent on our bread against the prevailing 10-cent loaf in the chain stores was such that we just couldn't do it.

Q. That happened on January 27?—A. That was either January 26 or January 27, or both days.

Q. And the next visit you had following that was on the 29th?—A. It was on a Wednesday. If January 29 was a Wednesday afternoon that would be it.

Q. And following January 29 did you have any further representations, visits, telephone calls or otherwise with regard to the price at which you were selling your bread?—A. We had a visit from a representative of Weston's Bread.

Q. Do you remember when?—A. No, I do not exactly recall the date. I would say possibly a week later.

Q. And what went on at that time?—A. Well, it was his idea in the visit I imagine to see what we were going to do about getting up to their suggested retail 14-cent price inasmuch as our price of 13 cents was conflicting with their local driver on the route. In other words, we were selling Weston's bread at 13 cents and the driver would go up to the house and he was trying to get 14 cents.

Q. Did your policy change as to selling price?—A. Has it changed?

Q. Yes?—A. No sir. It is still 13 cents.

Q. Have you had any further visits since the visit from Weston's?—A. No, we have not, sir.

Q. Are you having any difficulty in obtaining supplies of bread from the bakers?—A. None whatever, we are getting all the bread we can use.

Q. Now, going back to Exhibit 35, I notice that on bread selling on the 27th of January at 13 cents you state that your gross margin to selling price is 15.9 per cent. Do you think that is a fair and adequate margin for a person like yourself in a self-service store?—A. Yes, I honestly think it is, sir.

Mr. DYDE: That is all my questions for the moment, Mr. Chairman.

Mr. PINARD: Did you have any visit from the Ontario Bakers Association?

The WITNESS: No, sir.

By Mr. Merritt:

Q. You gave us a price of 11.5 cents, that is the price to you, 11.5 cents a loaf, less 5 per cent?—A. Yes sir.

Q. Less 5 per cent on what, is that on the 11.5 cents?—A. That is 5 per cent on our total purchases for the month. It is what they call a bonus.

Q. And that is the way you arrive at the 10.93 cents cost price per loaf?—A. That is right, sir.

Q. If you applied that to one loaf it would not work out that way, would it? If you apply 5 per cent to the invoice price of 11.5 I get .23.—A. It comes out to .575. Taking that from 11.50 it gives you approximately 10.93.

Q. It is correct, is it?—A. Yes.

By Mr. Lesage:

Q. Mr. Arnold, you said on the 26th you just did not buy any Christie's bread. Did you buy any on the 27th?—A. Yes, sir.

Q. You did?—A. Yes, sir.

Q. The agent of the company had forgotten the previous row?—A. He was anxious to sell us bread. In fact, on the 26th he came back just shortly after lunch, 1.00 or 1.30, to see if we had not changed our mind.

Q. He was ready to compromise even if you sold your bread at 13 cents?—A. I do not think he was worried as much as the company. I do not know just how these drivers or salesmen operate, but I imagine it is all on a commission basis and the more they sell the more the commission is. Naturally the loss of the largest account in the east end for that particular day cuts his commission, so he was naturally interested in getting the bread in.

Q. But this same company on the 29th, which was a Thursday, sent you one of the sales managers in an effort to convince you to take your price up to 14 cents?—A. That is correct.

Q. Did you correct the price on the band?—A. No, sir.

Q. You sell it for 13 cents even though it is marked on the band as 14 cents?—A. Yes.

By the Chairman:

Q. You still make what you consider a fair profit?—A. Yes.

Q. Have you got reasons to believe the persons from whom you buy bread do not make a fair profit?—A. No, I have none whatever.

By Mr. Maybank:

Q. Their price is the same as it was before?—A. No, their price has increased. It increased actually from 10½ to 11 on the 26th or 27th.

By Mr. Lesage:

Q. The decimal difference is only on account of the 5 per cent?—A. Yes, sir.

By the Chairman:

Q. Do you know any other people in your type of business who sell bread at 13 cents?—A. No.

Q. Fourteen cent bread at 13 cents?—A. No, I do not.

The CHAIRMAN: Any other questions of this witness?

By Mr. Johnston:

Q. Are you aware of the fact that the chain stores get a higher bonus than 5 per cent?

Mr. DYDE: They call it a discount.

By Mr. Johnston:

Q. I think the discount is 10 per cent. They call it a discount in the one case to the chain stores and a bonus to you, but the discount to the chain stores is 10 per cent whilst yours is only 5?—A. I think all their bonuses are 5 per cent. If that is the case it is the first time I have heard it.

Q. I think it was indicated here that was true. You talked about the salesman arguing with you over the selling price of bread. Did you have any other calls from any one else at all in regard to the selling price of bread?—A. No, not that I can recollect, just two.

By Mr. Winters:

Q. Did you find your bread suffered any loss of prestige when you put the price down 1 cent?—A. No, because they are all advertised brands of bread, Christie's, Weston's, Canada Bread and General Bakeries.

Q. You found no adverse reaction on the amount of sales when the price was 13 as compared with a selling price of 14?—A. No. I would say possibly for the first few weeks in February our bread sales were down to what they had been previously, but it was not on account of our 13-cent price—I think it was on account of the chain store 10-cent price, which they seemed to really go after and make a headline of.

By Mr. Johnston:

Q. Have you any 10 cent bread at all?—A. No, we have none.

Q. Is the price of 14 cents marked on the wrapper?—A. Yes, sir.

Q. And you sell it at 13?—A. That is right.

Q. Do you think you have lost any sales or turnover in regard to bread because you do not handle a 10-cent loaf?—A. Oh, undoubtedly we would sell more bread if we had a 10-cent loaf comparable in quality, yes.

Q. You mean if you had a 10-cent loaf the same quality as the 14-cent loaf you would sell more?—A. We would sell more bread.

Q. I would think that would be true. Do you think there is any difference in the quality of the 10-cent loaf the chain stores sell and the 13-cent loaf you sell?—A. With some I have had examined there is a difference and in others there is no difference.

Q. What would be the difference mostly?—A. Oh, there is a difference in colour and texture, a difference in the baking of the loaf.

Q. You think the 13-cent loaf is a superior loaf to the 10-cent loaf?—A. Yes, it is in some brands.

Q. In appearance particularly?—A. In some brands, not all; there are some of the 10-cent loaves that are definitely a 10-cent loaf. Some of the 10-cent loaves that are being sold are equally as good as the 14-cent loaf.

Q. Can you recall what bakeries handle those? Would it be Christie's?—A. There only are two bakeries that are baking them that I know of, that are baking a 10-cent loaf for chains.

Q. Which are they?—A. There is General Bakeries for Dominion Stores and Canada Bread for Loblaw's.

Q. You handle General Bakeries bread, too?—A. We do, very little, though.

Q. The 13-cent loaf you get from them in your mind is superior to their advertised 10-cent loaf?—A. I cannot see much difference.

Q. You cannot see much difference?—A. No.

Q. Are you sure you are not getting a 10-cent loaf and paying 13 cents for it?—A. It could be. It is their wrapper on it. That is their headache, not ours.

Q. In that case it would not matter whether you sold it for 13 cents. Is there any way you have undertaken to check up on that, that is, on the quality as between their 10-cent loaf and their 13-cent loaf?—A. I do not pretend to be any connoisseur of bread.

Q. You have handled a lot?—A. We have handled a lot. In the past two or three weeks on two different occasions we have sent out and bought a loaf of each 10-cent bread. We have taken a loaf from our own display of Christie's, Canada Bread, General Bakeries and Weston's and cut them in half and set them up and compared them. The only way we have to compare them is to look at the texture, colour, and naturally the odour of the bread.

Q. In your opinion, is there three cents difference in the loaves?—A. In some of them, yes.

Q. In which ones do you think it exists?

Mr. MAYHEW: That is not a fair question.

Mr. JOHNSTON: Yes, it is. He is handling bread.

The WITNESS: I am only handling a quality loaf of bread. I am not handling the cheap loaf of bread.

By Mr. Johnston:

Q. But you have tested it to some degree?—A. That is right.

Q. What difference is there in your opinion?—A. Well, as I mentioned previously one loaf of bread is only worth 10 cents whereas—

Q. To what type of bread are you referring?—A. The other loaf of bread baked by the same baker is worth 13 cents.

Q. There is a definite difference from your examination of the two loaves?—

A. Yes.

Q. What other company did you examine where you found there was very little difference?—A. In the other company we found the 10-cent loaf of bread they were baking and their own regular loaf of bread were identical, I would say.

Q. What company was that?—A. I would rather not state.

Q. I think it is an important point because we are trying to ascertain whether or not it is warranted to have this bread selling at 13 to 14 cents.

Mr. PINARD: I think so, too.

Mr. JOHNSTON: We have even considered it so important that there is bread now under analysis to ascertain that very fact.

The CHAIRMAN: Would that not be the best test?

Mr. JOHNSTON: No, I would not say so, because I think when a man who is in the business and is paying particular attention to this, and has to a degree—and I am limiting it that way—tested these two types, says there is one company which has a loaf which is very similar, if not the same type, I think we should know that company.

Mr. MACINNIS: I think the witness said he was not an expert. That was not the word he used. If we are going to have bread examined as to its quality then we should have it examined by an analyst who can examine bread. I do not think it is fair to insist that this witness give the names of the firms whose bread he examined.

The CHAIRMAN: We can have that done, and the officials who are now engaged in the investigation at the direction of this committee can be called and can give a report as to their examination.

Mr. JOHNSTON: I would not want to put any of the companies in an embarrassing position, but the witness has already named one where there was quite a difference. Now he has pointed out there is another company whose bread they have examined, and in their opinion, in the limited way in which they have tested it, they did not think there was anything to warrant the difference and increase in price as far as the difference in quality was concerned. Personally I cannot see that there would be any harm to a company that way. If there is harm, if they are selling a loaf of bread which is the same quality at different prices then that should be known, because the very reason why this committee is set up is to see if there are any unfair practices by bakers.

By Mr. Winters:

Q. On how many loaves have you made the comparison?—A. On two different occasions.

Q. On — — A. One loaf of each bread.

Q. One loaf set off against the other?—A. Yes.

The CHAIRMAN: I think we will find that when we come to call the people who will be analyzing this bread from a nutritional standpoint they will argue that would not be sufficient. I think they will take the view that at least twelve loaves are necessary for a proper comparison in their judgment.

Mr. JOHNSTON: We have had evidence here before that when the housewife goes in to buy bread she tries to determine which is the better type of bread. I would assume that she would use the same principles as the witness would, neither one of them being expert examiners of bread for its nutritional value and exact texture, and so on. That is a very important element. As far as the housewife is concerned she must choose her bread on exactly the same grounds as the witness tested which was the better of the two types of bread. It seems to me this witness should be in a very good position to tell us.

Mr. PINARD: There is also this to it—

Mr. JOHNSTON: I did not know there were so many witnesses here.

The CHAIRMAN: He is trying to help you.

Mr. PINARD: There is also this to it that unless every type of bread in this country is examined how are we to decide?

Mr. MAYBANK: Since it has developed into a point of order, are we not in this position that Mr. Johnston is asking for opinionative evidence?

Mr. JOHNSTON: We have had lots of that.

Mr. MAYBANK: And it is admitted apparently on all hands, and the witness supports it himself rather strongly, that in this particular case the opinion is not, to put it mildly, the opinion of an expert. Despite that fact, Mr. Johnston presses for this opinionative evidence. While I feel it is in order to ask it I wonder if it is of value to press it when the witness does not really wish to give it.

Mr. JOHNSTON: I should like to ask Mr. Maybank when he goes in to buy a loaf what standards he uses to determine the loaf he will buy?

The CHAIRMAN: Mrs. Maybank buys them.

Mr. MAYBANK: I ask the price and they tell me 14 cents and foolishly I conclude it is better than the 10-cent loaf and I buy it. I should add I have never yet bought one.

Mr. LESAGE: I have before me what is called a bread examination report, and there are a number of elements that enter into the determination of the value of a loaf of bread. There is volume, colour of crust, symmetry of form, evenness of bake, character of crust, break and shred, grain, colour of crumb, aroma, taste, mastication (chewability), and texture.

Mr. JOHNSTON: Do you think the housewife is going to go through all those processes?

Mr. LESAGE: No, but our experts will.

Mr. IRVINE: The most important factor is left out, the nutritional factor.

Mr. LESAGE: That is completely different from a nutritional examination.

Mr. JOHNSTON: I will leave it at this, that this witness is in the bread selling business. He has stated that particularly from one bakery the bread is, in his opinion, almost the same. I think housewives would be very well advised if they looked it over carefully and decided from there on whether they wanted the 10-cent or the 13-cent loaf, because my opinion is that a lot of the bread that is sold is the same but is sold at a different price.

Mr. PINARD: What bread is actually being examined?

Mr. DYDE: Certainly all breads that will be referred to in evidence will be examined.

By Mr. Harkness:

Q. Did you ever try to get a bread you would sell at 10 cents from the bakers? In other words, did you try to get one of those cheaper brands to sell yourself?—A. No, actually we have not gone out to try to get one of the 10-cent loaves.

Q. What I was getting at is you have never been turned down by the bakers in an effort to get that cheaper bread?—A. No.

Q. Did you ever try to get another loaf that they call their special loaf which would probably sell at 11 cents?—A. One of the bakeries has a loaf that they put out to sell at 12 cents.

Q. That is probably the loaf I am thinking of.—A. That has been offered to us. As it was not a top quality loaf we did not want it.

Q. Is it a correct assumption on my part that perhaps your chief business is disposing of the produce from your farms?—A. It is not.

Q. It is not?—A. No.

The CHAIRMAN: Are there any other questions of this witness?

By Mr. Lesage:

Q. Your store in Toronto, is it in a well-off district?—A. No sir.

Q. No?—A. Definitely not. It is in one of the oldest sections of the city of Toronto.

Q. Your volume of business is very large?—A. Yes it is.

Q. Very large?—A. Quite large.

Mr. JOHNSTON: What was the volume say in the month before control was taken off and the month after?

Mr. IRVINE: You mean in bread?

Mr. JOHNSTON: Yes.

Mr. DYDE: We have September 1947 and perhaps you might give the figures for August 1947 and October 1947.

The WITNESS: In October 1947—

Mr. DYDE: August 1947.

The WITNESS: August is 8,154 loaves.

Mr. IRVINE: What was that figure?

Mr. PINARD: 8,154 loaves for August.

Mr. DYDE: And now October?

The WITNESS: 8,573 loaves.

Mr. DYDE: Are there any other months desired, gentlemen?

Mr. JOHNSTON: There was a little increase but not very much there. I wonder if the witness would care to suggest what was the reason for the increase in volume after the ceiling was removed?

Mr. PINARD: It must have been a picnic.

The WITNESS: A general increase in our total store sales I would say would be responsible for that increase.

Mr. MAYBANK: What months were those?

The CHAIRMAN: August and October.

By Mr. Johnston:

Q. What was you last answer?—A. A general increase in sales.

Q. Why do you think people would buy more after the ceiling was removed?—A. It was our general store sales.

Q. You are referring to the over-all sales?—A. Yes.

Q. I am referring to bread.—A. We just had more people in the store and they bought more bread.

Mr. MACINNIS: The weather was getting cooler and people ate more.

The CHAIRMAN: Are there any other questions?

By Mr. Maybank:

Q. I want to ask a couple of questions. There was a question asked a moment ago about the location of your store and you answered it by saying it was by no means in a well-to-do district. You answered that it was not in what you would call a well-to-do district but indeed rather the reverse, that is correct is it?—A. I would classify it as an excellent working class location.

Q. But is it not a fact that as far as the Pickering Farm stores are concerned there is a large automobile trade and that people come from all parts of Toronto to your store?—A. That is correct.

Q. You are not to be regarded generally as a neighbourhood store? Is that not right?—A. That is correct.

Q. I do not want to be giving you any undue advertising but it is my understanding you do attract custom from quite distant parts of the large city of Toronto?—A. Quite so.

Q. Perhaps by reason of your advertising policies or perhaps because of a number of circumstances? Is that correct?—A. That is correct sir.

Q. So the remark about the location of your store and to learn that it is in a not well-to-do district should not have us draw the inference that it is just with your neighbourhood people that you deal?—A. No, that is correct.

Q. Would you hazard a guess as to how your trade divides between customers who are near and customers who are far?—A. That is something we have no way of determining.

Q. No, but you do a large automobile trade?—A. Yes, we do.

Q. People come to get their goods by automobile and I have some recollection of this, and of seeing people come in automobiles and carry away a good bit of their supplies, probably attracted mostly by your farm produce? Is that right?—A. That is correct.

Q. You use the fact you are a farm-to-consumer organization as one of your largest advertising items, do you not?—A. That is correct.

Q. And attract customers by reason of that, is that true?—A. Our main trading point is meats.

Q. Meats?—A. Meats, for which we have the sole control of the quality.

Mr. JOHNSTON: And the price.

The WITNESS: Correct.

By Mr. Maybank:

Q. I see, and so we should not attach quite the same importance to your location as we might if we were looking at some other store?—A. No, that is true.

Q. You would agree with that?—A. That is true.

Q. I just wanted to clear up the possibility of a wrong inference being drawn from the question of location.

By Mr. Harkness:

Q. These questions just asked are along the line of those which I had in mind when I asked if your store was to a large extent the means of marketing your farm produce and you said no. What proportion of your business is actually the sale of your own farm produce?—A. Well, as far as farm produce is concerned we consider produce as butter, eggs, cheese, milk, and green vegetables. We make no butter, we make no cheese, we raise no chickens.

Q. What I had in mind was these things you produce on your farm?—A. We produce nothing on the farm.

Q. No?—A. No, we feed cattle, we feed lambs.

Q. Then you produce those things on your farm?—A. No, we do not produce them. We buy them, bring them in there as young cattle or as young lambs and we keep them there for a period of three months or six months.

Q. We are just talking in a little different language. Those things, in my opinion, are part of a production process.—A. Yes, you could consider it as such.

Mr. MACINNIS: It is a feeder farm.

The WITNESS: That is correct.

By Mr. Harkness:

Q. And coming to the proportion of the produce you feed or grow on your farms, what bulk does that occupy in the total sales?—A. Well, I would roughly say 50 per cent of our total sales.

Q. And I presume as bread occupies only 9/10 of 1 per cent of your sales you do not look upon bread sales or probably the price you get for bread as a very important part of the business.—A. It is a very important part of the business in as much as it is a convenience for those customers who come into the store.

Q. But the amount of profit you make on bread is not an important item to you?—A. Over a period of a year, yes. It amounts to a fairly good sum.

Q. But the amount as far as your total operation is concerned—A. No, as far as our total operation is concerned it is very small, but in operating our business as a whole, and that is how we operate our business, it does play a part in it.

Q. I can quite see it plays a part, but what I was really getting at essentially is that what you are most interested in is selling this produce which you might fatten or otherwise, what I would call produce from your farms as the produce is more important to a large extent, and you carry bread because it is a convenience to your customers who are there to buy other things.—A. No, it is not that exactly. We are operating a self-serve groceteria or a self-serve market and it is only natural that when the customer comes in we try to have all her requirements there under one roof. In other words if she wants a chicken, a dozen eggs, a loaf of bread, a pound of butter, or a can of soup we have got it.

Q. Yes.—A. She does not have to take the chicken and the dozen eggs and then go down the street for the loaf of bread and the pound of butter.

The CHAIRMAN: The effect of your questions does not alter the fact that this particular company does sell 14-cent bread for 13 cents at a profit.

Mr. PINARD: Yes, which is quite substantial.

Mr. HARKNESS: No.

The CHAIRMAN: Yes, that is the point. If your questions do reveal bread might be relatively unimportant in the total volume, does not that merely accentuate the fact they are selling 14-cent bread for 13 cents still making a profit even though their volume may not be as great as that of other people who sell bread.

Mr. HARKNESS: There is another point comes in there. Whilst they are selling this bread at 13 cents and making a profit on it and are glad to sell bread at that price which is all to the good, possibly the small corner grocery could not do it because in the usual business bread would perhaps bulk as much as 10 per cent of the sales.

The CHAIRMAN: Are there any other questions? Mr. Dyde is anxious to proceed.

By Mr. Johnston:

Q. Just this question. The questions asked so far have led me to ask this. You do then both a wholesale and a retail business, do you not, with your farm produce? It is really a wholesale operation because you raise the produce yourself and put it immediately on the market. Your bread, however, you buy from another concern and retail it?—A. We operate strictly a retail business. It is one company and one operation. It comes from our slaughter house or plant in Whitby and it goes into the store and is sold to the consumer at one profit.

Q. In the case of bread you have 14-cent bread which you are selling for 13 cents?—A. Yes, sir.

Q. And you say you have it there in one sense as a convenience to the customer so they can get all their goods under one roof. Would that not properly be described then as a loss leader?—A. No, sir.

Mr. PINARD: You are making 15 per cent?

The WITNESS: 15·9 per cent. It is no more a convenience to the customer than the chickens we kill and send in or the hogs or the lambs.

By Mr. Johnston:

Q. Of course a loss leader can be used that way and still make a profit?—A. If I was treating it as a loss leader I would sell it for 10 cents to decrease the competition.

Q. But you are selling it under the regular price, you are selling it for 13 cents?—A. Yes, and making a profit of 15·9 per cent.

The CHAIRMAN: All right, the next question please.

By Mr. Johnston:

Q. And in doing that, you were selling it cheaper than the corner grocery can sell it?

Mr. LESAGE: He has a corner grocery.

By Mr. Johnston:

Q. No, he has not, he has a big concern. When I talk about the corner grocery, I mean the little fellow. The corner grocery gets bread from the same baking concerns but is forced to sell at 14 cents, at least, he does sell at 14 cents?—A. He is not forced to sell at that.

Q. You can undersell that and, therefore, by underselling the corner grocery—I am not saying you are doing it intentionally—you do undersell him and that brings customers to your store. You can afford to do that because you are making a profit, but you would not be making as large a profit as if you sold at 14 cents. You consider it good business because it attracts the trade here?

Mr. MACINNIS: Is it not good business?

Mr. MAYHEW: After all, we are interested in getting the price of bread down. We should congratulate him.

Mr. JOHNSTON: No, if that were true, I would come back and criticize the Wartime Prices and Trade Board for setting the price as they did.

By Mr. Irvine:

Q. I believe it is correct to say that the witness has testified, by selling from 8,000 loaves a month, his firm makes a profit. That is so?—A. Not merely on bread.

Q. But you make a profit on bread?—A. Yes, sir.

Q. If you were able to sell a million loaves a month at the same price, you could make more profit?—A. Correct, sir.

The CHAIRMAN: That is a fairly good deduction.

By Mr. Dyde:

Q. Before you go, there is one point on which there is some clarification needed. You said bread came into your store with the 14 cents on the wrapper; is that correct in all cases?—A. The Christie's loaf is marked, I believe, with a band inside the wrapper, and General Bakeries loaf of bread did have the 1 cent price on it on January 27. Whether it has now, I cannot state.

Q. Have the others got the price marked on them?—A. No, they have not.

The CHAIRMAN: Mr. Dyde has two more witnesses who will not take very long.

Mr. MAYBANK: I want to make a suggestion about the next witness. I realize if my suggestion were adopted it would upset some other plans but I want to suggest to the committee that, at this time, they call Mr. Ruttan to whom reference was made in the evidence yesterday. You will recall the evidence yesterday was to the general effect that, on behalf of the Ontario Association, he had been endeavouring to have bread prices increased or, at any rate, to prevent their being decreased.

The evidence given at the time was not direct evidence. I think Colonel Merritt objected to it on that ground, that it was hearsay evidence. However the effect of the evidence was that this association, represented by Mr. Ruttan had been active in attempting to keep the price of bread up.

Now, I think a statement of that kind should be followed up as soon as possible. I understand Mr. Ruttan is in the room at the present time. I should like to have the committee ask him questions upon the accuracy or inaccuracy of the statement made yesterday. If it is not to be done immediately and perhaps, it would interfere too much with the plan Mr. Dyde has made of certain promises or undertakings which have been made to the witnesses as to how long they would be here, then I suggest it should be done as soon as possible tomorrow. The point I am making is that the examination on the point in question should be just as soon as possible.

Mr. LESAGE: Who are the other witnesses?

Mr. DYDE: There is Mr. Parent of Dionne Limited, Montreal, and a gentleman from the Consolidated Bakeries. These gentlemen have been very patient. Both Mr. Parent and the Consolidated Bakeries witness have been here before and I had to send them home because we injected other witnesses into the program. I would be quite happy to have Mr. Ruttan called if it is not going to take too long.

Mr. MAYBANK: I could not guarantee anything in that regard.

Mr. LESAGE: How about waiting until tomorrow?

The CHAIRMAN: Is Colonel Ruttan here?

Mr. RUTTAN: I would be very happy to be called. However, I should like to see the record of the evidence Mr. Bird has given. All I have seen have been newspaper reports.

Mr. DYDE: I believe Colonel Ruttan is here all the time.

Mr. MAYBANK: I do not press for this at the moment, but I should like to have the examination as soon as possible into the charges or suggestion that this organization was active in trying to keep prices up. I felt the question should be raised now. I am agreeable to it being done a little later, in view of what counsel has said. However, I should like the examination to take place soon.

Mr. MACINNIS: I think we are wasting time. Colonel Ruttan says I would rather go on at some other time.

Mr. MAYBANK: That is reasonable; he should see the record. I am agreeable to that.

The CHAIRMAN: I think we can dispose of these two witnesses fairly quickly. I am not trying to hurry the committee, although I really am.

John B. Parent, Manager, Dionne Limited, Montreal, called:*By Mr. Dyde:*

Q. Mr. Parent, will you give the committee your full name?—A. John B. Parent.

Q. Your address?—A. 6223 Vimy, Montreal.

Q. Your occupation?—A. Manager.

Q. Of what?—A. Dionne Limited.

Q. What is Dionne Limited?—A. There are five stores, five outlets, groceries and meat. There is one service store.

Q. Do you do any wholesaling?—A. No wholesaling.

Q. Completely and entirely retail?—A. All retail.

Q. What is the type of store? Are they self-serve or otherwise?—A. There are five self-serve and one service store.

Q. Would you give the committee the addresses of the various stores?—A. The service store at 1221 St. Catherine Street, West. Then, the chain stores are, 2077 St. Catherine, West; 5005 Decarie; 6873 St. Hubert; 6535 St. Hubert; 1460 Mount Royal East.

Q. Is your company completely independent of any other company?—A. Yes, it is a family concern. It is owned by the Dionnes entirely.

Q. No other outside corporation or person has any shares in the company?—A. None whatever.

Q. You sell bread in all of these stores?—A. Yes, the six stores.

Q. Can you give the committee the amount of bread you sell in a given period?—A. I have that in dollars for January, 1948; \$2,332.

Q. This is the total for all stores?—A. Yes, that would be about 16,000 loaves a month.

Q. Can you give me that same figure for, say, November, 1947?—A. \$1,844.

Q. Which represents approximately how many loaves?—A. About 13,000.

Q. Can you give the same figures for September, 1947?—A. \$1,547.

Q. And for August, 1947?—A. \$1,298.

Q. For October?—A. \$1,951.

Q. Can you give the committee the proportion of sales of bread in your stores to total sales in your stores?—A. 47.

Q. And that is less than one half of 1 per cent?—A. That is right.

Q. What proportion of your total sales would the sales of the 24-ounce loaf wrapped and unsliced amount to?—A. I haven't got that figure.

Q. Could you give us an estimate?—A. It would run from 80 to 90 per cent.

Q. And from whom do you purchase the 24-ounce loaf that you sell in your stores?—A. Do you wish to have the names of the different bakeries?

Q. Yes, please.—A. Inter-City Bakery, Harrison Brothers, Supreme Bread, James Strachan, Dent Harrison, General Bakeries and Strachan Brothers.

Q. Of that list who supplies the greater proportion?—A. Harrison Brothers.

Q. And next after that?—A. Supreme Bread.

Q. And they together constitute?—A. 70 per cent.

Q. Of your total bread?—A. Yes.

Q. I have asked you to bring with you certain figures, Mr. Parent, which indicate the selling price and the cost of the 24-ounce loaf with reference to Harrison Brothers and Pain Supreme; you supplied those figures?—A. That is right.

Mr. DYDE: That will be Exhibit 36.

EXHIBIT No. 36: Dionne Limited, Montreal, selling price and cost of bread.

DIONNE LTD.—MONTREAL

Selling Price and Cost of 24-oz. loaf of bread (wrapped unsliced loaf)

	1 September 1947	18 September 1947	31 January 1948
Harrison Bros.			
	cts.	cts.	cts.
Selling price—per loaf	10·00	13·00	14·00
Cost price—per loaf	9·00	12·00	12·50
Gross margin—per loaf, before deduct- ing selling or warehousing expense	1·00	1·00	1·50
Per cent gross margin to selling price	10·0	7·7	10·7

	1 September 1947	19 September 1947	9 February 1948
Pain Supreme			
	cts.	cts.	cts.
Selling price—per loaf	10·00	13·00	14·00
Cost price—per loaf	8·10	10·20	11·30
Gross margin—per loaf, before deduct- ing selling or warehousing expense	1·90	2·80	2·70
Per cent gross margin to selling price..	19·0	21·5	19·3

Q. And will you explain to the committee please, Mr. Parent, how you are supplied by the bakeries, the method of delivery?—A. We are supplied from the salesman on the road direct to the stores.

Q. Does he come into the store with the bread?—A. Regularly, yes.

Q. And does he place it on your shelves?—A. That is right.

Q. Does he take away stale bread that is left there from the day before?—A. That is right.

Q. Does he leave any stale bread at all?—A. No.

Q. It is completely changed each morning?—A. That is right.

Q. With all your suppliers?—A. That is right.

Q. I see by this statement that in the case of both brands the price increased from 10 cents to 13 cents on the 18th of September; that is correct, is it not; that is the date on which the change took place?—A. Yes.

Q. And to 14 cents on January 31?—A. That is right.

Q. Have there been any changes since that date?—A. There has been a change recently, just a couple of days ago.

Q. All right, would you explain that, please?—A. On March 2, Harrison Brothers reduced from 12·5 cents to 12 cents.

The CHAIRMAN: That is something.

Mr. IRVINE: It might be due to this committee.

The WITNESS: General Bakeries made a reduction from 12·5 cents to 12 cents.

Mr. JOHNSTON: Two days ago?

The WITNESS: That is right.

By Mr. Dyde:

Q. What about fancy brand, was there any change there?—From 11·3 to 10·8.

Q. Was that as a result of your approach to them?—A. No.

Q. You did not approach them with reference to price?—A. No.

Mr. LESAGE: That change has come since we had Mr. MacDonald here.

The CHAIRMAN: That was sliced, was it not?

The WITNESS: No, that is wrapped and unsliced.

By Mr. Dyde:

Q. What change has there been in the retail selling price?—A. There has been none up to now. There has been only half a cent reduction and so far as our selling price goes it is still 14 cents.

By Mr. Pinard:

Q. That is two days ago?—A. That is just two days ago. Wednesday, yesterday in fact, I came up here and I learned about that yesterday.

Q. Since you came here?—A. That is right.

Q. What are you going to do about it?—A. There will be some change.

Mr. MACINNIS: Up, or down?

The WITNESS: Down.

The CHAIRMAN: Good, we are getting somewhere.

Mr. DYDE: Can you tell the committee just what the change will be?

The WITNESS: There will be a cent on that Supreme bread.

Mr. MACINNIS: A cent off?

The WITNESS: That is right.

Mr. MACINNIS: That is better.

By Mr. Dyde:

Q. Not any change in Harrison Brothers?—A. Probably not. We are getting a cent and half a loaf now and it would bring it to 2 cents a loaf. That is a reasonable margin of profit to maintain on that. We are only getting a cent and a half.

Q. On Harrison Brothers?—A. That is right.

Mr. CLEAVER: What about GB, that is General Bakeries bread. It is about the same loaf.

The WITNESS: On General bread we get a cent and a half also. It would only mean 2 cents.

The CHAIRMAN: What is that answer? It would only mean a cent and a half?

The WITNESS: We are getting a cent and a half at the present time and they have reduced the loaf by $\frac{1}{2}$ cent and we would be getting 2 cents profit.

By Mr. Dyde:

Q. Now, you have been getting on Harrison Brothers a profit of a cent and a half, which represents a gross margin to selling price of 10·7 per cent according to this Exhibit 36?—A. That is right.

Q. And on fancy bread you have been getting 2·70 cents, a gross margin to selling price of 19·3 per cent?—A. That is right.

Q. And you consider that the general price margin is not enough?—A. No, I do not consider that enough, 10 per cent.

Q. Even for a fast-selling article like bread?—A. No, I do not think it is enough.

Q. What do you consider a fair margin?—A. Well, I would consider fair about 15 per cent on bread.

By Mr. Cleaver:

Q. Then why are you content with the five or six per cent mark-up on butter?—A. Well, that is difficult to answer. I will tell you, in the over-all picture you may make 5 per cent on one article and 25 per cent on the other and that leaves you with 20 per cent over-all.

Q. You would not suggest that bread is more perishable than butter or that it is a slower-moving article?—A. No. I think it is just the condition which exists. We have always had a very low mark-up on butter.

Q. Perhaps it is a little more competitive?—A. Possibly.

By Mr. Lesage:

Q. In September you were taking a margin of only 10 per cent on Harrison Brothers' bread, that is only 1 cent?—A. That is right.

Q. And if you sold Harrison Brothers' bread at the price it is costing you since Wednesday, if you sell it at 13 cents, would you not have the same 1 cent margin that you were getting in September of 1947?—A. Yes, that is true.

Q. And in September of 1947 you were making a profit, were you not?—A. Yes, we were making a very small profit.

Q. Not a small profit, you were making a reasonable profit, the company was making a reasonable profit?—A. Yes.

Q. You think then that you should get the same margin knowing that the consumers need a little relief? I am making an appeal to you.

Mr. PINARD: Mr. Chairman, this committee is not in a position to suggest a thing of that kind. I think it is a good point but I hardly think it's to be made in that way, or that such a question should be put to Mr. Parent.

Mr. LESAGE: It is not in the form of a question.

Mr. CLEAVER: Really your only extra cost is the cost of handling the extra money you get per loaf. It is the same loaf of bread.

Mr. LESAGE: Do you not think it would be more fair to the consumer? I am asking you as a representative of a retail trade, not only as manager of Dionne's.

Mr. PINARD: Of course, the same question should have been asked all the others, including A & P and the chain.

Mr. LESAGE: I think it was and I think some of them answered.

The WITNESS: If the reduction had been a cent we certainly would have reduced it a cent.

Mr. LESAGE: Yes, no doubt; but that is a different picture, Mr. Parent. I am just asking you if you could not possibly do it. If you do not want to answer me now please think about it overnight and give me the answer tomorrow.

The WITNESS: I would prefer to think it over.

By Mr. Dyde:

Q. How does the margin on bread compare with your over-all margin of gross profit?—A. On groceries it is 13·43.

By Mr. Johnston:

Q. What is that again?—A. It is 13·43.

The CHAIRMAN: On groceries.

By Mr. Dyde:

Q. Have you got the total figure?—A. I have an over-all figure of 16·96.

Q. That is for the whole store?—A. The whole store.

By Mr. Cleaver:

Q. Could we have the figure that brings up the figure for groceries to 16·96 in the over-all picture? I suppose that is fresh meats and vegetables?—A. We have meats, 21·07, and fruit, 23·09, fruit and vegetables.

By Mr. Pinard:

Q. Does the over-all margin you are now giving take in your service store on St. Catherine street west?—A. This over-all margin represents five stores only.

By Mr. Lesage:

Q. Your store on St. Catherine street is somewhat of a specialty store?—A. 1221, that is right.

By Mr. Dyde:

Q. Of what nature are the other stores and in what type of locality?—A. That is the five chain stores. There are two in what I would call as better class, and three of them in working class districts.

Q. Have you received telephone calls or visits or communications from the suppliers of bread with reference to the price at which you should sell it?—A. No, none whatever that I know of.

Q. And you would know if any such representations were made?—A. I believe I would.

Q. You have had none?—A. I have had none.

By Mr. Pinard:

Q. Why do you sell your bread at 14 cents? As a matter of fact, is it your own decision?—A. Yes, that was due to our cost, entirely on the cost.

Q. Was that price suggested by the bakers to you?—A. Not that I know of.

Q. When this first increase from 10 cents to 13 cents was decided on were you approached at all either by the drivers or officials of the bakeries themselves?—A. Not anything more than stating the price was up, they put their price up, and we naturally moved our selling price up.

By Mr. Lesage:

Q. Are you aware of the price Dominion Stores, for instance, pay for the same brands that you buy from Dent Harrison, General Bakeries and others in Montreal?—A. No.

Q. We were told here, Mr. Parent, that Dominion Stores since February 9, 1948, have been paying 11½ cents for the same brands of bread that you are buying at 12½ cents in Montreal. I refer, Mr. Dyde, to exhibit 20. I think that is important. Have you any discount on this price of 12½ cents?—A. Not at all. There is no discount on that.

Q. And you are buying in large quantity?—A. Yes, we are buying large enough. It seems to warrant a better price.

Mr. LESAGE: I think maybe we should inquire into that. Dominion Stores are paying 11½ cents for the same brands of bread in Montreal that Mr. Dionne with five stores pays 12½ cents for, 1¼ cents more per loaf.

Mr. WINTERS: Get your purchasing agent on the job.

The WITNESS: We certainly will. From this investigation there will be a lot of ground to cover.

The CHAIRMAN: Perhaps the witness can offer an explanation as to why he pays more.

Mr. LESAGE: He said he did not know. That is the first question I asked, and then I drew the attention of Mr. Dyde to the point.

By Mr. Johnston:

Q. Are there any prices indicated on the wrappers?—A. No prices.

Q. On none of the bread you handle?—A. No.

By Mr. Cleaver:

Q. Did I understand you correctly a moment ago to say that in fixing the retail price of the Harrison Brothers bread and the Supreme bread that you did not receive any indication from the baker of the bread as to the price that should be charged, but that you determined the selling price yourself; is that correct?—A. That is correct, from our cost.

Q. You determined it from your cost. Let us have a look at the statement. Does it cost you any more to handle Supreme bread per loaf than it costs you to handle Harrison bread per loaf?—A. No.

Q. Then why did you make a mark-up with respect to Harrison bread on the 18th of September of 7·7 per cent and with respect to Supreme bread on the same day of 21·5 per cent, practically three times the mark-up? That rather indicates you were paying attention to the retail price that the baker indicated, does it not?—A. Well, we had a better price from Supreme bread. We got a better price from them but we did not yet get it from the other people.

Q. Better related to what? We are talking about your profit mark-up. We are not talking about a better price or a poorer price. We are talking about mark-up. You told the committee a minute ago, you see, that you did not pay any attention to the selling price that the baker indicated, that you marked up so that you would get your proper profit. Now I say why did you take three times as much profit with respect to the Supreme bread on the 19th of September as you took with respect to Harrison bread?—A. I told you I considered a fair mark-up about 15 per cent. That would probably average about that on the whole.

By Mr. Pinard:

Q. In other words, you consider your other mark-up too low?—A. That is right.

By Mr. Johnston:

Q. Then why did you not put your price of bread up in order to maintain your profit? You were making your selling price automatically controlled by your profit?—A. Over-all profit on the whole.

Q. I do not think you have answered Mr. Cleaver's question yet, the difference between those two mark-ups if you are only considering your cost factors.—A. We considered it in this light—

Mr. CLEAVER: Coming back to that point—

Mr. JOHNSTON: Let him finish his answer.

The WITNESS: We get on a certain bread, this particular one of the breads, 10 per cent, and on the other 19. Harrison Brothers is by far the largest item and we get 10 per cent on that. Supreme bread volume is much less than the Harrison. I do not see why we should have all the same mark-up. That is just not done.

By Mr. Cleaver:

Q. It was your idea that you should have the same mark-up. That was not my idea. You answered you see that you did not pay any attention at all to the retail price as indicated by the bakers?—A. That is right.

Q. You just added a mark-up that was satisfactory to you?—A. That is correct.

Q. I say now why was it necessary to mark up 21·5 per cent on the one and only 7·7 on the other? I take your answer to be that the over-all average was what you were interested in?—A. That is right.

Q. Then if you were working on an over-all average why did you not average bread with butter?—A. You cannot do that.

Q. Oh, no— —A. You could not do it and continue in business. You have got to have enough margin.

Q. Coming back to that other point of a minute ago, you were making quite a satisfactory profit in your business, I suggest, on the 1st of September, and on the 1st of September you were receiving 1 cent a loaf mark-up on bread. Is that not right?—A. That is right.

Q. Now the only difference in cost between handling that loaf of bread in September and handling it now is the cost to your firm, I suggest, of handling the extra money. Certainly it does not cost you any more to handle the bread?—A. There is no particular reason there.

Q. No, I did not think there was.

By Mr. Dyde:

Q. Have you had a call from Christie's bread with reference to selling their bread in Montreal?—A. Yes, I think on March 1 or 2.

By Mr. Pinard:

Q. Of this year?—A. Of this year, that is right.

By Mr. Dyde:

Q. Have they told you what they propose to do? Have they told you the price at which they propose to sell the bread?—A. They mentioned a cost of 12 cents which would sell around 14 cents.

Q. Did they simply mention a cost to you of 12 cents and leave you to fix the selling price?—A. I believe they suggested a 14-cent price.

Q. Yes, and have you decided whether you are going to take Christie's bread and sell it in your store?—A. There is no decision made yet at all.

Q. That conversation took place on March 1 or March 2?—A. About that time; that is right.

Q. And a representative of Christie's called at your store?—A. That is right.

Q. And suggested a retail price of 14 cents and the cost to you would be 12 cents? Is that correct?—A. We discussed prices, 12 and 14, but I believe we figured it would sell about 14 cents which they—I do not remember the exact words on that, but from my understanding it would be 14 cents.

By Mr. Pinard:

Q. That he suggested?—A. Yes.

Q. Who was the gentleman, please?—A. I would not remember.

Q. You would not recall?—A. I do not know.

By Mr. MacInnis:

Q. Do you buy bread from Christie's?—A. No, we do not buy any bread at all from them. We have not handled any at all.

Q. Have you got any invoices for bread you buy from Harrison Brothers?—A. I believe I have here.

By Mr. Dyde:

Q. Would you be able, without having made a copy of those, to produce them, or should we copy them first?—A. I believe I could take a note and leave them to you.

By the Chairman:

Q. Will you do that afterwards?—A. All right.

Q. May I ask one question before adjournment? Did a representative of one of the following companies, Canada Bread, Weston's, Christie's or Inter City call you to-day about a possible reduction in the price of bread?—A. No.

Q. Yesterday?—A. No.

By Mr. Lesage:

Q. You were in Ottawa?—A. I was in Ottawa yesterday. I got here yesterday afternoon.

By Mr. Winters:

Q. Do you consider your chain of stores in Montreal a little higher quality stores than the normal chain stores?—A. Well, we were known for quality, yes.

Q. You would not be quite so concerned with getting your price down to the lowest possible level as others?—A. No.

By Mr. MacInnis:

Q. You said you were known for quality. Are you still known for quality?—A. That is right.

The CHAIRMAN: Mr. Dyde advises me that he has a very important witness to-morrow from Consolidated Bakeries. I am hoping that we can reach that witness early to-morrow morning if it is possible.

Mr. LESAGE: Have we not finished with Mr. Parent?

The CHAIRMAN: Are there any other questions?

Mr. DYDE: We could put this exhibit in and let Mr. Parent go. If you would exhibit those we can copy them for you afterwards if necessary.

The WITNESS: Yes.

The CHAIRMAN: The meeting is adjourned until 11 o'clock to-morrow.

Mr. DYDE: Exhibit 37.

EXHIBIT No. 37: Series of invoices produced by witness Parent.

The meeting adjourned.

For Loc
02-
Com
7

Canada. Prices Special Committee on 1947/48

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 18

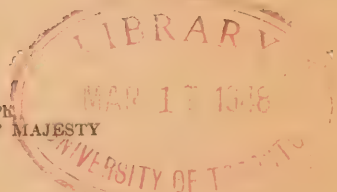
FRIDAY, MARCH 5, 1948

WITNESSES:

Mr. Albert Earwaker, President and General Manager, Consolidated Bakeries of Canada, Limited, Toronto.

Mr. H. S. Pratt, Treasurer, Consolidated Bakeries of Canada, Limited, Toronto.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.N.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



MINUTES OF PROCEEDINGS

FRIDAY, March 5, 1948.

The Special Committee on Prices met at 11 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. Mayhew, for the Steering Committee, reported on the question of commercial rents. (*See first part of this day's Minutes of Evidence*).

Mr. Maybank took the Chair.

Counsel filed,—

Exhibit No. 38—Statement submitted by Boulangerie Regal Bakery Inc., including (a) Letter from J. Leo Kelleher to the Chairman; (b) Copy of agreement dated July 17, 1944, between The Ogilvie Flour Mills Co., Ltd., and Homer H. Hudon; (c) List of flour inventories at the end of each period indicated, 1947; (d) Flour prices and discounts from Ogilvie Flour Mills in 1947; (e) List of addresses. (*See Appendix "A" to this day's proceedings*).

Exhibit No. 39—1947 Financial Statement of Boulangerie Regal Bakery, Inc. (*See Appendix "B" to this day's proceedings*).

Mr. Albert Earwaker, Manager, and Mr. H. S. Pratt, Treasurer, Consolidated Bakeries of Canada, Limited, Toronto, were both called, sworn and examined.

Mr. Earwaker filed,—

Exhibit No. 40—Annual Report of Consolidated Bakeries of Canada Limited, for the year ended 29th December, 1945. (*See Appendix "C" to this day's proceedings*).

Exhibit No. 41—1946 Annual Report of Consolidated Bakeries of Canada Limited and its subsidiary companies. (*See Appendix "D" to this day's proceedings*).

Exhibit No. 42—Statement by Consolidated Bakeries of Canada Limited, including subsidiary companies, brands of bread, sales volume, etc. (*Printed in this day's evidence*).

Witnesses retired.

At 1.00 p.m. the committee adjourned until Monday, March 8, at 11 a.m.

R. ARSENAULT,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 5, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Gentlemen, the steering committee has met this morning and Mr. Mayhew and Mr. Maybank will make a brief report on behalf of the steering committee with regard to rentals.

Mr. MAYHEW: Mr. Chairman, the question has arisen as to whether this committee should investigate commercial rents. This seems to depend upon an interpretation of a statement by the Minister of Finance on June 15, as to whether the just and reasonable clause and P.C. 9029 were deleted or not. I can report to you that the minister's statement did not in any way affect the original order, P.C. 8528 of November 1, 1941, or P.C. 9029 of November 21, 1941. Both of these orders remain in effect in connection with rents as well as other commodities.

During the last year the minister has, at different times, put in decontrol orders on various commodities, but this question has not been raised. The minister made a statement with regard to commercial rents on June 19. At that time, he made no reference to the deletion of this clause. I am now instructed to say, on behalf of the minister, that these two orders remain in effect. It would, therefore, seem not necessary for this committee to proceed, at the present time at least, with consideration of rents on commercial properties.

There is this difference, too. When we are considering commodities such as bread, there is a general pattern which applies all over Canada. This is true of bread, meat, or textiles and many other commodities which we may have under consideration. However, so far as rents are concerned, each building on each street requires separate consideration. It is the opinion of the steering committee that the present is not the proper time for consideration of this question, nor would we have the time to do the amount of work which would be necessary.

Perhaps Mr. Maybank desires to add something to what I have said.

Mr. MAYBANK: No, I have nothing to add.

The CHAIRMAN: You have heard the report of the committee. Now, Mr. Lyde, you have Mr. Earwaker of Consolidated Bakeries here?

Mr. IRVINE: Is that satisfactory to the committee, Mr. Chairman?

Mr. FLEMING: I thought the steering committee was reporting that, in view of the statement made by Mr. Mayhew which he was also kind enough to make to the steering committee, in its view, for the present, the committee should not undertake hearings of complaints with reference to rentals on commercial accommodation. The committee attached some importance to the words, "for the present", because we are embarked on an enquiry into bread which we feel should not be interrupted. Then, too, there are other enquiries arranged into other commodities which we feel should not be interrupted.

There are the greatest physical difficulties with regard to hearing complaints in regard to increases in commercial rents because of the fact there is no general pattern, only a multitude of individual complaints.

The CHAIRMAN: I thought that was implied in the statement.

Mr. FLEMING: I thought Mr. Maybank was going to report that that was the recommendation of the steering committee. We are not, by any means, washing our hands of the matter. I believe that ought to be made clear. We think, for the present, the announcement which has been made that it will continue to be law that no rent shall be charged, collected or paid in excess of what is reasonable and just, may be sufficient. This will continue to be the law even after the decontrol of commercial accommodation becomes effective next week. The committee felt it might leave it at that, for the present.

May I add to that, Mr. Chairman, that I hope the minister, in making his formal announcement in connection with this matter, will accompany it with a statement for the benefit of tenants across the country who may not be so closely in touch with the terms of the rent control order as the members of the committee or members of parliament are, making it clear it will be the responsibility of the Wartime Prices and Trade Board to enforce this provision that rents shall not be in excess of what is reasonable and just. If anyone feels he has been aggrieved by the action of his landlord, under that section, his proper course is to take his complaint to the Wartime Prices and Trade Board. The board will investigate it and, if the case warrants it, launch a prosecution. The terms of the order are such that any individual may launch a prosecution with the permission of the board or of the attorney general of the province in which the offense is alleged to have been committed.

The CHAIRMAN: That is right.

Mr. FLEMING: The penalty provided by the Order is a fine of \$5,000 and/or two years imprisonment.

Mr. IRVINE: Just before you call the witness, I should like to say that, while there is a good deal of merit in the committee's report and I have to accept it, I do not think it will be satisfactory. I think the fair and reasonable clause will continue to be a difficult clause under which to arrive at a judgment. I feel the rents will go up just the same and affect the cost of living. Ultimately, therefore, we will have to investigate them.

Mr. FLEMING: I understand that is being left open. In view of the terms of the recommendation of the steering committee, we are not closing the door on this subject; I think that ought to be made quite clear. We hope that the announcement by the government will be some warning to those who may be intending to take advantage of decontrol next week by charging exorbitant rents. We hope those people will realize they may not charge in excess of what is reasonable and just. If they do, they are subject to prosecution.

The CHAIRMAN: A prosecution might do some good.

Mr. MAYHEW: Not being a lawyer, I am not able to advise the public as to what they could not do, and not wishing to put myself in the position of the minister or go farther than I was authorized to go, all I can say is that the fair and reasonable clause was not affected by the previous announcements of the minister, whether they referred to commercial rents or other commodities. Of course, the Wartime Prices and Trade Board would have to assume the responsibility if any charge were laid.

I understand the recommendation of the committee is that, for the present, because of the difficulty of hearing individual cases concerning rentals, the question should be left over and if the committee decided to come to it at a later date, there would be nothing to prevent the committee doing so.

Mr. IRVINE: There is no difference between rents and any other commodities in regard to this clause to which reference has been made.

Mr. LESAGE: Except that it is not in the same order.

Mr. MACINNIS: I think it is well Mr. Fleming made his point because I do not think Mr. Mayhew made it quite clear enough. This is what the government failed to tell the public in the announcement that rent control would be removed, that this provision with regard to what is reasonable and just would remain in effect and if the tenant alleged a breach of this clause the landlord could be taken into court.

The CHAIRMAN: I do not think we should, perhaps, get into an argument as to whether the government has or has not done certain things. You will recall that, in the additional statement of government policy, the government did indicate that these measures were still available for use and that the government was continuing to survey the situation from the point of view of supplementary action. Indeed, in some instances, supplementary action has since been taken.

Mr. IRVINE: According to the evidence of Mr. McGregor, Mr. Chairman, that is a most unsatisfactory clause—perhaps the most unsatisfactory clause in the act.

Mr. FLEMING: Mr. Ilsley said something to that effect in the House, that it was somewhat vague. If it fails there is nothing to prevent the committee coming back to it. Mr. Chairman, I think that should be clearly understood.

The CHAIRMAN: That is right. I should like to see a prosecution under that section myself.

Mr. FLEMING: I think it needs to be clearly understood, then, in view of the statement which has just been made on behalf of the government, that the steering committee, in making this present recommendation, is doing so on the strength of that statement from the government.

The CHAIRMAN: That is understood. Will you proceed, Mr. Dyde?

Mr. DYDE: Before swearing the witness, I am producing some material which has been received from Mr. Kelleher. This material was requested on page 527 of the minutes of evidence. Mr. Kelleher has produced a memorandum which has been mimeographed by the secretary and I produce that to be filed in the appendix. We should mark it as an Exhibit, I think.

Mr. FLEMING: May I ask Mr. Dyde if that is the statement as to whether the 13 cent ceiling price in Hull shows a satisfactory profit?

Mr. DYDE: This has really just come to my hand, Mr. Fleming. I think I will have to examine it to make sure it does cover everything for which we have asked. If it does not, I will have to go back to Mr. Kelleher again.

Mr. FLEMING: On page 527, about five lines from the bottom, I believe it was Mr. Cleaver who asked this question:

Q. Will you supply a financial statement to the committee?

I believe that has reference to the previous question which was as follows:

Would you tell the committee as to whether the 13 cents in Hull shows a satisfactory profit in the shape of net profit?—A. The answer is no. At the present time it is too low.

Q. Will you supply a financial statement to the committee?—A. To show that? Yes, certainly.

(At this point the Vice-Chairman, Mr. Maybank, took the chair).

Mr. DYDE: I am about to produce the financial statement as well. However, the financial statement has not been mimeographed. It is a rather long one and I thought it should be put in as an exhibit in the appendix. Unfortunately, I have only one copy.

EXHIBIT No. 38: Data supplied by Mr. Kelleher.

Mr. FLEMING: May I ask whether any statements have been received from Mr. Taylor of the Wartime Prices and Trade Board with regard to other reports by officials of the board in relation to any conferences held with members of the baking trade around the time of decontrol last September?

Mr. DYDE: I have not received any as yet. I have no report from Mr. Taylor, either as to whether there are any or there are not. I have not received any word from him as yet.

Mr. FLEMING: Probably the secretariat could make inquiry and see whether any have been found.

Mr. LESAGE: I am just looking at this memorandum from Mr. Kelleher. I think it is important to note that Mr. Hudon, the previous owner, relinquished his shares in Boulangerie Regal Bakery, Inc., to The Ogilvie Flour Mills Company, Limited, on November 5, 1947, in accordance with the terms of the agreement which is attached to this document. The shares were then registered in the name of Glenora Securities, Inc., which is a wholly owned subsidiary of The Ogilvie Flour Mills Company Limited. In answer to a question about that, Mr. Kelleher said he did not know a thing about it.

Mr. DYDE: Mr. Chairman, I am asking that both Mr. Earwaker and Mr. Pratt be sworn as there may be answers which one or the other could give and it may shorten our procedure.

Albert Earwaker, Manager, Consolidated Bakeries Limited, sworn:

Harold Samuel Pratt, Treasurer, Consolidated Bakeries Limited, sworn:

Mr. DYDE: What is your address, Mr. Earwaker?

Mr. EARWAKER: 776 West Avenue South, Toronto.

Mr. DYDE: What is your occupation?

Mr. EARWAKER: Manager of bakeries.

Mr. DYDE: Of which bakery?

Mr. EARWAKER: Consolidated Bakeries of Canada. Pardon me, I should also say that I am president and general manager of Consolidated Bakeries of Canada.

Mr. DYDE: May we now complete these preliminaries with you, Mr. Pratt. What is your full name?

Mr. PRATT: Harold Samuel Pratt.

Mr. DYDE: Address.

Mr. PRATT: 110 Clendenan Avenue.

Mr. DYDE: Your position with Consolidated Bakeries is?

Mr. PRATT: Treasurer.

Mr. DYDE: Mr. Earwaker, you have been asked to produce certain information and you have also volunteered certain information which I do not believe you were asked to produce; but you have produced the annual report of Consolidated Bakeries of Canada Limited for the year ended the 29th of December, 1945. I have sufficient copies to distribute and it should be marked as Exhibit 40.

EXHIBIT No. 40—Annual report, Consolidated Bakeries of Canada Limited, 1945.

Mr. DYDE: And you also produce the annual statement of Consolidated Bakeries Limited for the year ended December 28, 1946, do you?

Mr. EARWAKER: Yes.

Mr. DYDE: Excuse me, I see the date is December 28, 1946. That will be Exhibit 41.

EXHIBIT No. 41—Annual report, Consolidated Bakeries of Canada, Limited, 1946.

Mr. JOHNSTON: What about that financial statement, Exhibit 39, Mr. Dyde?

Mr. DYDE: Mr. Johnston, that financial statement has not been mimeographed as it is rather a lengthy document.

Mr. JOHNSTON: I was just wondering where that 39 statement had gone.

The VICE-CHAIRMAN: It was said at the time it was produced that it would be printed in the report as an appendix.

Mr. DYDE: Exhibits 40 and 41 I think should also be put in as exhibits, Mr. Chairman.

The VICE-CHAIRMAN: Yes.

Mr. DYDE: Then, Mr. Earwaker, you have also produced a memorandum which has been since mimeographed giving certain information with regard to Consolidated Bakeries of Canada Limited. Is this that statement?

Mr. EARWAKER: Yes, sir.

Mr. DYDE: I will produce that as Exhibit 42.

EXHIBIT No. 42:—Statement re Consolidated Bakeries of Canada Limited.

EXHIBIT 42

*Submitted by Consolidated Bakeries of Canada Limited,
Incorporated 6th December, 1928*

SUBSIDIARY COMPANIES

Wonder Bakeries Limited, Toronto

Branch Manufacturing Plants at:

Toronto (formerly Ideal Bread Company Ltd.),
Hamilton (formerly Ideal Bread Company Ltd.),
London (formerly Neal Baking Company Ltd.),
St. Thomas (formerly Neal Baking Company Ltd.),
Chatham (formerly Palmer Baking Company Ltd.),
Windsor (formerly Neal Baking Company Ltd.),
Peterborough (formerly Stock's Bread Limited),
Montreal (formerly Dent Harrison & Sons Limited).

James Strachan Limited, Montreal

(Subsidiary of Wonder Bakeries Limited having no assets except trade name.)

Lammy's Bread Limited, Hamilton

Dixon's Dairy Bread Limited, Galt

*Purton Valley Baking Company Limited**

Branch Manufacturing Plants at:

Orillia (formerly Bryson's Bread Limited)
Lindsay (formerly Purity Bakeries Limited)
Peterborough (formerly Purity Bakeries Limited)
Kingston (formerly Purity Bakeries Limited)
Napane (formerly Purity Bread Limited)

*Became a subsidiary on February 7, 1948.

BRANDS OF BREAD

Wonder Bakeries Limited, Ontario—Wonder Bread (1st grade); Peter Pan (1st grade); Table Queen (2nd grade).

Types Without Trade Names, i.e., Crushed Wheat Bread, Whole Wheat Bread; Scone Bread, Sandwich Bread, 16 Ounce Loaves, French Sticks, Boston Brown Bread.

Quebec—Wonder Bread (1st grade); Royal Ideal (1st grade); Table Queen (2nd grade); Maisonneuve (2nd grade). *Types Without Trade Names*—(See Above).

Mammy's Bread Limited and Dixon's Dairy Bread Limited

Mammy's Fresh Milk Bread (1st grade); Mammy's Homestead (2nd grade). *Types Without Trade Names*—(See above).

Trent Valley Baking Company Limited

Orillia—Bryson's Bread (1st grade); London, Peterborough, Napanee—Trent Valley (1st grade); Trent Valley (2nd grade); Kingston—Doyle's Bread (1st grade); Doyle's Bread (2nd grade). (Also see brands without trade names as shown.)

RELATIVE SALES VOLUME OF WONDER BAKERIES LIMITED

(in pounds)

	1947	Toronto	Montreal	All Bakeries Total
February 1		2,134,390	4,599,461	9,429,562
March 8		2,123,696	4,707,730	9,536,432
April 12		2,089,555	4,636,127	9,357,468
May 17		2,095,325	4,793,740	9,697,134
June 22		2,065,136	4,925,327	9,950,617
July 26		2,050,704	4,982,382	10,141,567
September 13		1,971,305	4,906,800	9,880,680
October 18		2,038,246	4,834,841	9,857,445
November 22		2,043,130	4,707,566	9,691,091
December 27		1,990,688	4,627,301	9,514,848
1948				
January 31		2,027,171	4,595,264	9,565,329

RELATIVE SALES VOLUME OF WONDER BAKERIES LIMITED

(Approximate only)

TORONTO

Grade I

Wonder Bread	30%
Peter Pan	25%
Types without trade names	40%

Grade II

Table Queen	5%
-------------------	----

MONTREAL

Grade I

Wonder Bread	30%
Royal Ideal	10%
Types without trade names	45%

Grade II

Table Queen	5%
Maisonneuve	10%

OVERALL

Wonder Bread	48%
Peter Pan	7%
Royal Ideal	2%
Table Queen	5%
Maisonneuve	5%
Types without trade names	33%

WEEKLY NUMBER OF LOAVES SOLD BY WONDER BAKERIES LIMITED
IN ONTARIO AND QUEBEC, WEEK OF FEBRUARY 7, 1948

Total 1st Grade	680,000
Total 2nd Grade	120,000
Types without trade names	400,000
	<hr/>
	1,200,000

PRICES OF BREAD

Ontario

Names of Bread		Sept. 1, 1947	Sept. 18, 1947	Jan. 27, 1948	Feb. 2, 1948
		cents	cents	cents	cents
Wonder Bread, Peter Pan	Retail	10	13	14*	
Mammy's Fresh Milk Bread ...	Wholesale	8	10.4	11.5*	
Table Queen	Retail	8	11	12*	
Mammy's Homestead	Wholesale	6½	8.8	10.5*	

Quebec

Wonder Bread, Royal	Retail	10	13		14
Ideal	Wholesale	9	12		12.5
Table Queen, Maisonneuve	Retail	8	11		12
	Wholesale	7	10		11

*Indicates price change in Toronto, Hamilton and Peterborough. Wonder Bakeries Limited changed its prices in other cities as follows:

London, Sarnia, St. Thomas and Chatham on January 29; Windsor on February 4.

FORMULA OF WONDER BAKERIES LIMITED

	1st Grade lbs.	2nd Grade lbs.
Flour	500	500
Yeast	10	8
Salt	12½	12
Sugar	18	5
Lard	10	2½
Milk	150	....
Mycoban	¾	....
Water	240	315
	<hr/>	<hr/>
	941½	842½

COST OF 1½ LB. LOAF OF WONDER BREAD

	Selling price range	Selling price	Material	Shop labor	Oven fuel	Overhead	Total manufacturing	Sales wages	Delivery expenses	Administration	Total cost	Profit
—												
January, 1946	8 and 10	8.97	3.61	0.84	0.12	0.78	5.35	1.79	1.28	0.13	8.55	0.42
July, 1946	8 and 10	9.04	3.85	0.85	0.12	0.71	5.53	1.76	1.16	0.13	8.58	0.46
January, 1947	8 and 10	9.21	3.72	0.90	0.10	0.74	5.46	1.83	1.26	0.18	8.73	0.48
July, 1947	8 and 10	9.09	4.11	0.93	0.14	0.80	5.98	1.90	1.26	0.16	9.30	†0.21
September, 1947	8 and 10	9.09	4.19	0.93	0.12	0.81	6.05	1.88	1.37	0.15	9.45	†0.36
October, 1947	11 and 13	11.74	6.12	0.97	0.12	0.87	8.08	2.39	1.50	0.21	12.18	†0.44
November, 1947	11 and 13	*12.07	5.73	1.00	0.14	0.87	7.74	2.36	1.59	0.22	11.91	†0.16
December, 1947	11 and 13	*12.12	5.71	1.11	0.14	1.00	7.96	2.19	1.83	0.23	12.21	†0.09
January, 1948	11 and 13	12.24	6.12	1.08	0.16	0.96	8.32	2.48	1.65	0.24	12.69	†0.45

* Reflects the use of flour on hand when subsidies were removed.

† Loss.

COST OF INGREDIENTS

	1st grade			2nd grade		
	Flour per bbl.	Per loaf		Flour per bbl.	Per loaf	
		Flour	Other ingre- dients		Flour	Other ingre- dients
TORONTO	\$ cts.	cts.	cts.	\$ cts.	cts.	cts.
Sept. 1st/47.....	4 65	2·071	2·234	4 15	2·101	0·430
15th.....	8 70	3·913	2·234	8 20	4·192	0·430
Nov. 1st.....	8 60	3·868	2·234	8 10	4·141	0·430
22nd.....	8 50	3·823	2·234	8 00	4·090	0·430
Dec. 19th.....	8 30	3·733	2·234	7 80	3·988	0·430
Jan. 1st/48.....	8 20	3·688	2·234	7 70	3·936	0·430
16th.....	8 10	3·643	2·234	7 60	3·885	0·430
MONTREAL						
Sept. 1st/47.....	4 35	1·936	2·234	3 85	1·968	0·430
15th.....	8 20	3·688	2·234	7 70	3·936	0·430
Nov. 1st.....	8 10	3·643	2·234	7 60	3·885	0·430
22nd.....	8 00	3·598	2·234	7 50	3·834	0·430
Dec. 19th.....	7 80	3·508	2·234	7 30	3·732	0·430
Jan. 1st/48.....	7 70	3·463	2·234	7 20	3·681	0·430
16th.....	7 60	3·418	2·234	7 10	3·630	0·430

PRICES

805

FLOUR PRICES—*Concluded*

Taylors—100 lb. bags

	Old Prices	Sept. 15th 1947	Nov. 13th 1947	Jan. 5th 1948	Feb. 23rd 1948
Perfect.....	4.08	8.16	7.96	7.76	7.60
Energeat.....	4.14	8.22	8.02	7.82	7.66
Northwest.....	4.35	8.48	8.28	8.08	7.90
Whole Wheat.....	3.88	7.96	7.96	7.96	7.60
Cracked Wheat.....	3.88	7.96	8.30	8.30	8.30
Superfine Soft.....	7.34	8.46	8.46	8.46	8.76

FLOUR INVENTORY OF WONDER BAKERIES LIMITED

	Toronto	Montreal	Over-all
On hand—Sept. 13, 1947	4,949 bbls.	5,288 bbls.	18,607 bbls.
Used—Sept 20	1,361 bbls.	3,731 bbls.	7,359 bbls.

NOTE: On September 18 there was less than 2 weeks supply of flour on hand.

EARNINGS OF CONSOLIDATED BAKERIES OF CANADA LIMITED (Excluding Investment Income and before deduction of Taxes)

	Profit	P.C. of Sales
1938	\$ 353,515.36	5.99
1939	411,152.84	7.39
1940	255,837.88	4.18
1941	264,087.61	3.94
1942	374,744.77	5.08
1943	695,840.07	7.91
1944	575,757.22	6.48
1945	645,468.14	6.09
1946	767,286.82	6.43
1947		
Jan. 5 wks	47,903.22	4.04
Mar. "	52,534.46	4.09
Apr. "	33,564.31	2.67
May "	15,263.87	1.20
June "	26,092.41	1.93
July "	25,053.89	1.81
Sept 7 wks	250.76	.01
Oct. 5 wks	Loss 9,835.30	Loss .66
Nov. "	51,216.32	3.33
Dec. "	Loss 12,696.18	Loss .80
1948		
Jan. "	Loss 47,236.28	Loss 3.40

CONSOLIDATED BAKERIES OF CANADA, LIMITED
PRICE INCREASES OVER 1939

	1939	1947	1948	Increase over 1939
Flour—Bread—bbl.	3.15	8.20	7.60	141.24
Flour—Cake—bbl.	3.60	8.46	8.76	143.33
Sugar—dwt.	5.09	8.12	8.12	59.53
Shortening—lb.	7 $\frac{3}{4}$	22 $\frac{3}{8}$	22 $\frac{3}{8}$	195.16
Lard lb.	6 $\frac{1}{2}$	21 $\frac{1}{2}$	21 $\frac{1}{2}$	218.52
Milk Powder lb.	8 $\frac{1}{2}$	14 $\frac{1}{2}$	15 $\frac{1}{2}$	93.75
Milk Fresh gal.	32	48	56	75.00
Fruits—Dried.	8 $\frac{1}{2}$	12.84	12.84	60.50
Malt Extract.	8 $\frac{1}{2}$	8 $\frac{1}{2}$	9 $\frac{1}{2}$	12.12
Yeast.	15	15	16	6.67
Baking Powder.	14	14	15	7.15
Salt—ton.	13.35	13.35	19.80	48.31
Yeast Powders.	6 $\frac{1}{2}$	6 $\frac{1}{2}$	7 $\frac{1}{2}$	15.38
Soya Flour.	5 $\frac{1}{2}$	8 $\frac{1}{2}$	8 $\frac{1}{2}$	57.14
Mineral Oil—gal.	51 $\frac{1}{2}$	67 $\frac{1}{2}$	67 $\frac{1}{2}$	31.71
Eggs (Frozen) lb.	18 $\frac{1}{2}$	31	31	67.57
Butter.	26	58 $\frac{1}{2}$	67	157.69
Jam.	9 $\frac{1}{2}$	12 $\frac{1}{2}$	13 $\frac{1}{2}$	42.11
Molasses—gal.	58	1.15	1.15	98.28
Glucose cwt.	4.28	9.41	9.41	119.86
Corn Starch lb.	4.32	9.7	9.7	124.54
Wax Wrappers.	11 $\frac{1}{2}$	15.90	16.80	52.72
Shipping Cartons M.	100.00	139.00	146.00	46.00
Boxes and cartons M.	100.00	133.00	148.00	48.00
Paper Tape—roll.	41	58	62	51.22
Paper Bags M.	2.35	2.82	3.06	30.21
Pie Plates—paper M.	2.86	3.84	4.06	41.96
Hay—ton.	12.00	22.00	23.00	91.67
Oats—ton.	22.50	43.50	60.00	166.67
Straw—ton.	8.00	18.00	21.00	162.50
Horse Shoe Calks M.	11.25	17.95	17.95	59.56
Gasoline—gal.	21 $\frac{1}{2}$	28 $\frac{1}{2}$	32	52.38
Fuel Oil—gal.	6.70	10.35	12.75	90.30
Oil—Motor—gal.	63 $\frac{1}{2}$	72 $\frac{1}{2}$	78	23.81
Coal—Run of Mine—ton.	6.99	10.60	11.65	66.67
Salesmen's Uniforms.	13.00	33.40	34.20	163.08
Apples—Pie.	6.7	13	13	94.03
Blueberries.	7 $\frac{1}{2}$	18	15	100.00
Cherries—frozen.	11 $\frac{1}{2}$	22	22	100.00
Cherries—Glaze.	25	50	50	100.00
Pineapple Crushed.	10.70	17.25	17.25	61.22
Rolled Oats.	2.80	4.00	4.87	73.93
Cinnamon.	33	49	49	48.48
Doughnut Mix.	9 $\frac{1}{2}$	10 $\frac{1}{2}$	14 $\frac{1}{2}$	48.75
Gelatine.	36	1.13	1.13	213.89
Cocoa nut.	11	37	43	290.99
Cocoa.	10 $\frac{1}{2}$	15	25	138.10
Chocolate—block.	17	42	62	264.71
Walnuts.	22	51	51	131.82
Dates.	8.60	17.50	17.50	103.43

Mr. DYDE: I think I should make this short statement. Before this witness Mr. Earwaker, appeared before the committee he was asked by myself to produce certain information. He and his associates were here for a few days last week and have heard some of the questions that were directed to earlier witnesses and they went away and came back with more information than I asked them for actually; and they have given us very full information, not completely at my insistence. I refer particularly to page 6 of this document which contains the formula. I did not ask for that, this witness volunteered it.

Mr. JOHNSTON: What exhibit?

Mr. DYDE: 42. Mr. Earwaker, would you have Exhibit 42 in front of you please? Exhibit 42 is a rather full mimeographed statement headed, "Special

Committee on Prices, submitted by Consolidated Bakeries of Canada Limited." Note on the first page that you have set out the subsidiary companies of Consolidated Bakeries of Canada Limited and there is one question I want to ask with regard to that. I note about eight or nine lines down under Wonder Bakeries Limited you have a branch manufacturing plant at Montreal formerly known as Dent Harrison and Sons Limited; is that the same company as Harrison Brothers?

Mr. EARWAKER: No sir, it is not.

Mr. DYDE: Do you know whether there is any connection of any kind between Dent Harrison and Sons Limited and Harrison Brothers?

Mr. EARWAKER: Absolutely none, sir.

Mr. DYDE: There is no director of one who is a director of the other also?

Mr. EARWAKER: No sir.

Mr. DYDE: Then, Mr. Earwaker, I turn to page 2 and note that you have in the various brands of bread manufactured by your company including the bread manufactured by the Trent Valley Baking Company Limited, which I see from page 2 became a subsidiary as recently as February 7, 1948; that correct?

Mr. EARWAKER: That is correct, sir.

Mr. DYDE: On page 3 you have set out the sales volume of Wonder Bakeries Limited in pounds. Now, it is a small matter to clear that up, that refers to bread only or is it more than bread?

Mr. EARWAKER: No, bread only, sir.

Mr. DYDE: And your total of all bakeries, the final column on the right-hand side of the page, includes all the bakeries of all your subsidiary companies?

Mr. EARWAKER: Wonder Bakeries only.

Mr. DYDE: Then if you will turn to page 4, you have set up there the relative sales volume of Wonder Bakeries Limited which is "approximate only". Could you explain to the committee how you have worked that out so as to these approximate figures?

Mr. EARWAKER: Mr. Pratt can give you that.

Mr. PRATT: These are the percentages which are made up from week to week. We have taken the six-week period from the 1st of January to the 1st of February, the latest figures we had available, and we have averaged them on the basis of the figures for that period.

Mr. DYDE: Thank you. Now, with regard to page 5, you have set out there the price of bread in Ontario and in Quebec, and I note that you sell both retail and wholesale in both Ontario and Quebec.

Mr. EARWAKER: That is right.

Mr. Winters occupied the chair as Acting Chairman.

Mr. DYDE: I refer particularly to Mammy's fresh milk bread wholesale, and on September 1, 1947 the price given is 8 cents; is that after discount?

Mr. EARWAKER: Yes, sir.

Mr. DYDE: And the consumer discount is?

Mr. EARWAKER: Two cents a loaf.

Mr. DYDE: Thank you.

Mr. LESAGE: You talk about discount but I believe your answer rather indicated the margin.

Mr. DYDE: Two cents per loaf.

Mr. LESAGE: That is the difference between the wholesale and the retail.

Mr. DYDE: Perhaps you are right. Mr. Earwaker, is that the discount which is to be taken into consideration with regard to the figure 8 cents?

Mr. EARWAKER: No, sir. That is the net which the purchaser pays.

Mr. FLEMING: Would Mr. Dyde clear this up: It would appear from the statement that there is the retail price in the case of the two brands and the wholesale price in the case of the other two brands. Some of these sold only retail?

Mr. PRATT: Those two items under retail and wholesale should have been bracketed. This Wonder Bread is the first grade bread for Wonder Baker and Mammy's fresh milk bread is the first grade bread for Mammy's and Table Queen is the second grade bread for Wonder and Mammy's Homestead and the second grade for Mammy's.

Mr. FLEMING: I understand there are four brands of bread given here; two of them we have only the retail figures and for the other two only wholesale?

Mr. PRATT: No, sir; the first two are first-grade bread with the retail price and wholesale price applying equally to those—

Mr. FLEMING: Oh, I see.

Mr. PRATT: And the second pair are second-grade bread with the retail and wholesale prices applying to them.

Mr. FLEMING: The brackets will take care of that.

Mr. DYDE: Then the bracket will apply to Toronto's Wonder bread, Mammy's fresh-milk bread in the one case and to Table Queen and Mammy's Homestead in the other; is that correct?

Mr. PRATT: That is right.

Mr. DYDE: On page 6 there is just one question I want to ask there. I want to ask you if the amount given for milk is for fluid milk?

Mr. EARWAKER: Concentrated milk, sir.

Mr. MACINNIS: That would be powdered?

Mr. EARWAKER: No, sir; liquid concentrated.

Mr. PINARD: No milk at all in this kind of bread?

Mr. EARWAKER: No, there is not.

Mr. FLEMING: As of what date are these formulæ?

Mr. EARWAKER: I might explain this, with your permission, Mr. Chairman. The ACTING CHAIRMAN: Yes.

Mr. EARWAKER: The formula which you have written out there is the formula which the company commenced in 1946 to put into operation. In business at that time as a result of wartime controls being applied more generally it was our objective to build up our loaf to what it was formerly as to quantity. That process has been taking place ever since. Toronto is on that basis, Hamilton is on that basis; London is on that basis; Windsor is on that basis. Montreal is either going on it this week or next—they might be in the process of doing that now.

Mr. FLEMING: This is not the formula you are using now?

Mr. EARWAKER: We are getting back to our pre-war formulæ. We are getting back to them as fast as possible. As I have said, we have put the formula into operation in Toronto and these other places that I named.

Mr. FLEMING: Well then, this is not the formula that you used before the war?

Mr. EARWAKER: No, sir; this is the formula that we are putting into operation.

Mr. FLEMING: This is a new one?

Mr. EARWAKER: This particular one is the one which is going into use in all our plants. We are working it in at the earliest date possible.

Mr. LESAGE: You have put it into effect in all the cities you have mentioned and you are putting it into use in Montreal at an early date?

Mr. EARWAKER: If not this week, shortly.

Mr. MACINNIS: Did the quality of bread deteriorate during the war as compared to pre-war?

Mr. EARWAKER: Yes, I might outline that. I am sorry this was not put in as part of the exhibit, but I can give it to you now verbally. During the war we had to make bread with what materials were available. In some cases we had to use bulk syrup, some weeks we had sugar syrup if we could buy it; other weeks we obtained glucose, whatever we could get. Some weeks we had milk powder, other weeks we had concentrated milk and other weeks we had no milk at all; so, to make a statement as to what formula we used during the war would be an utter impossibility; we just used whatever materials were in supply.

Mr. PINARD: What is mycoban?

Mr. EARWAKER: That is a powder produced by Dupont's and it is used as a preventive of rope in bread.

Mr. FLEMING: You might clear one point up for me, and it is this; I think it has an important bearing on the matter before us: You have been carrying out improvements steadily as the supplies of materials have become available; that has added to your cost of production, that has cost you more money?

Mr. EARWAKER: Mr. Pratt would give you the exact figures of the cost. He has them all here.

Mr. PRATT: The cost of milk alone went up approximately one cent a loaf.

Mr. FLEMING: Excuse me, I was not trying to isolate one factor in the formula. I appreciate that if the ingredients are the same and if the ingredients rise in price it is going to cost you more to produce your bread. The general improvement in your formula would increase your costs?

Mr. PRATT: Yes.

Mr. FLEMING: Or, in other words, if there had been no improvement in your formula your cost of production would have stayed lower?

Mr. PRATT: Yes, sir.

Mr. FLEMING: Can you give us how much?

Mr. PRATT: You mean the increase in it going back to 1946? The only one that I have worked out definitely is the cost of milk, which was one cent a loaf, one cent and a fraction—.08—additional cost for milk alone.

Mr. DYDE: How many loaves of bread does that formula on page 6 make?

Mr. EARWAKER: That is the first-grade formula, sir?

Mr. DYDE: Yes.

Mr. EARWAKER: Approximately 500 loaves of bread. It might fluctuate anywhere up to 4 or 5 loaves. It might be up or down. I might say that today, gentlemen, in some plants we are operating machinery which is 25 years old. We cannot obtain new dividers. A divider in a bakery is a machine that weighs the dough into loaves of bread. They are badly worn. We have them on order. Some of them have been on order for three years. We have to scale heavier than what we should be scaling the dough to try to protect our company against under-weight bread. When we get these machines we will be able to scale lighter and therefore will get greater production.

Mr. PINARD: In which plant do you have your best machinery?

Mr. EARWAKER: In London, Ontario, sir.

Mr. DYDE: In the second grade how many loaves are made from that formula?

Mr. EARWAKER: Second grade, approximately 440 loaves.

Mr. DYDE: 440 loaves?

Mr. EARWAKER: Yes.

Mr. DYDE: Would that be subject to any fluctuation, too?

Mr. EARWAKER: It would; it passes through the same machines.

Mr. DYDE: So it would fluctuate to the extent of four or five loaves?

Mr. EARWAKER: Yes.

Mr. FLEMING: I do not quite follow that. Are you saying that 941 $\frac{1}{4}$ pounds of ingredients in your first grade produce approximately the same number of 1 $\frac{1}{2}$ -pound loaves?

Mr. EARWAKER: 502 approximately against 440.

Mr. FLEMING: 502 against 440.

Mr. EARWAKER: Yes, I made it round figures, 500.

Mr. DYDE: You said 500 a minute ago but 502 is a pretty close figure?

Mr. EARWAKER: Yes, 500 on the first grade and 440 on the second grade.

Mr. DYDE: Will you go to page 7, please? For a moment I would like you to look at the figures on the bottom row of figures, namely, for January, 1948, under the headings sales wages, and delivery expenses. I notice under sales wages in January, 1948, there is a figure of 2.48 which is 2.48 cents, is it?

Mr. EARWAKER: Per loaf.

Mr. DYDE: 2.48 cents per loaf, and under delivery expenses 1.65 cents per loaf. I would be interested if you would explain to the committee how you are able to apportion to bread your delivery expenses. Let me ask one further question. In your deliveries you are delivering bread and fancy goods, cakes and other things at the same time, are you not?

Mr. PRATT: That is right.

Mr. DYDE: What system do you follow to apportion the delivery expenses as between bread and these other commodities?

Mr. PRATT: For the past ten years we have distributed those on a basis of pounds of bread to units of cake. Cake units vary in weight, but they are generally an average size package, and we figure the space needed for one unit of cake is equivalent to one pound of bread. It is purely arbitrary but it is as close as we can get.

Mr. DYDE: That is what I was going to say, that it is an arbitrary arrangement because after all it is true, is it not, that it may take very much less time of the delivery man to sell and deliver bread than it does for him to sell and deliver a unit of cake or pastry or other fancy goods?

Mr. EARWAKER: That is quite right, sir.

Mr. DYDE: In other words, he goes to the door with his wagon containing both bread and cakes, and if he were dealing in bread only the housewife would say, "I want one loaf or two loaves," and work is done fast, but if he is also selling cakes he must take more time in explanation, or telling what he has.

Mr. PRATT: May I interject there? Sales wages are apportioned on a basis of dollar sales because the salesmen are all paid on commission. Delivery expenses cover the expenses of operating our horses and wagons and trucks, and that is the reason we use the units and pounds, because the equipment is provided to carry on a day's load.

Mr. DYDE: But for your purposes it is bound to be a fairly arbitrary figure arrived at as best you can?

Mr. PRATT: Necessarily so.

Mr. LESAGE: On this page you say that your total cost of a loaf of bread delivered is 12·69 cents?

Mr. PRATT: That is right.

Mr. LESAGE: You say you suffered a loss of ·45 cents?

Mr. PRATT: That is right.

Mr. LESAGE: But your Wonder bread is delivered at retail price to consumers?

Mr. PRATT: Some of it.

Mr. LESAGE: At the price of—

Mr. PRATT: 13 cents.

Mr. LESAGE: So you are not making a loss everywhere.

Mr. PRATT: That is an average return. If you will look in the second column there is a figure of 12·24 cents. That is our average return for that month in all of our bakeries, the average between 11 cents wholesale and 13 cents retail.

Mr. LESAGE: Is 12·24.

Mr. PRATT: 12·24; that is our average return per pound and a half unit.

Mr. LESAGE: That is how you arrive at your ·45 loss.

Mr. FLEMING: May I ask a question?—I take it this statement on page 7 represents the consolidated result of all your factories?

Mr. PRATT: Ten Wonder bakeries.

Mr. FLEMING: Is this only grade 1 bread?

Mr. PRATT: No, that is all bread.

Mr. FLEMING: It is all bread?

Mr. PRATT: All bread.

Mr. FLEMING: All varieties, No. 1 and No. 2, both?

Mr. PRATT: That is right.

Mr. LESAGE: It is No. 1 only?

Mr. PRATT: It is all bread.

Mr. FLEMING: Is the result of your operations, which shows a loss in every month but one since last July, general as applied to all your plants?

Mr. PRATT: Yes, sir, in varying degrees.

Mr. FLEMING: But is it a fact that in all your plants in the past six months ending in January you showed losses in operation in that five to six months?

Mr. PRATT: In the bread department, definitely.

Mr. FLEMING: I note the asterisk refers to the November and December results reflecting the use of flour on hand when the subsidies were removed. Did you have an abnormal supply of flour on hand?

Mr. PRATT: We had two weeks supply of flour. I think that is on a later schedule.

Mr. EARWAKER: I might correct that. We had two and a half weeks' flour on hand, but the period of time, the number of days between the dropping of the subsidy and the price change was approximately five days which used up half a week's supply of our flour which left us with approximately two week's flour.

Mr. FLEMING: I take it that is a fairly normal supply of flour to have on hand?

Mr. EARWAKER: Much lower. We should have at least two and a half to three months' flour.

Mr. FLEMING: It strikes me two and a half weeks' supply is a pretty short supply.

Mr. EARWAKER: We were only forced in that position. We could not get any more flour.

Mr. DYDE: I notice your flour inventory is on page 11 of exhibit 42. Coming back to page 7, or staying at page 7 for a minute, it appears to me from page 2 that Wonder bread is all first grade?

Mr. EARWAKER: Right, sir.

Mr. DYDE: And yet page 7 is spoken of as being Wonder bread?

Mr. PRATT: That is a typographical error. That should be Wonder Bakeries Limited separated from the other subsidiaries.

Mr. LESAGE: If that is so then there is something I do not quite understand. You say in January, 1948, the selling price range was 11 and 13, and if we refer to page 5 in January you have a selling range from 10 cents wholesale in Table Queen and Maisonneuve to 14 cents in Wonder bread and Peter Pan.

Mr. PRATT: That is right.

Mr. LESAGE: You said a range of 11 and 13. There is something which is not clear in my mind.

Mr. PRATT: This is the month of January, and January 27 was the date the price went up from 11 to 12.

Mr. LESAGE: Let us say it is from September 18.

Mr. PRATT: 11 and 13 were the retail prices between September and January 27.

Mr. LESAGE: But there was a wholesale price of 8·8 cents.

Mr. PRATT: This is the selling price range retail in that first column.

Mr. FLEMING: It is a matter of the last four days of January, is it?

Mr. LESAGE: No, no, there is also another difference. If you look at September there is a price of 11 cents retail and 10 cents wholesale.

Mr. PRATT: 11 cents retail, 8·8 wholesale, for the second-grade bread, but there is very little second-grade bread.

Mr. R. Maybank, Vice-Chairman, took the chair.

Mr. LESAGE: Is it taken into account?

Mr. PRATT: It is taken in the average. The 12·24 takes in all prices.

Mr. LESAGE: Takes into account all prices in force in January?

Mr. PRATT: That is right.

Mr. LESAGE: As mentioned on table 5?

Mr. PRATT: That is right.

Mr. FLEMING: Have you any figures on your operations for February which would reflect for the complete month the increase of 1 cent which became effective on January 27?

Mr. PRATT: No, sir. We work on a five-week period, nine five-week period and one seven-week period, the seven-week period extending from the end of July to the middle of September.

Mr. FLEMING: When does the current five-week period expire?

Mr. PRATT: Tomorrow.

Mr. FLEMING: How long would it take you to prepare the same statistical information on that five-week period as appears on page 7?

Mr. PRATT: About 10 days.

Mr. FLEMING: I would suggest we might ask for that because it would be very interesting to the committee to know how that extra cent reflects itself in the profit and loss position.

Mr. PRATT: We are preparing it anyway and I could very easily send it.

Mr. EARWAKER: I will be very glad to see you have it.

Mr. FLEMING: May I ask in passing if there is any estimate you can give now as to what is likely to be the result in your profit and loss operation with that 1 cent increase?

Mr. EARWAKER: No.

Mr. PRATT: No.

Mr. PINARD: I should like to know about the two items referred to by yourself, sales wages and delivery expenses. How do you take into account in those two columns delivery to chain stores? Do you make a distinction between delivery to chain stores and house-to-house delivery?

Mr. EARWAKER: Delivery to chain stores—

Mr. PINARD: What I mean to say is do you take into account deliveries made to chain stores?

Mr. EARWAKER: We do not sell any special bread to chain stores. Any bread that is sold to a store of any description by Wonder Bread is just sold from the regular wagon.

Mr. LESAGE: At wholesale prices?

Mr. EARWAKER: At wholesale prices, no discount, no rebate, with the exception—let me qualify that—that we have in the city of Montreal and the city of Toronto some contracts which are taken by tender, and so on, who receive bread.

Mr. LESAGE: Do you pay commission to your salesmen both on sales to stores and to consumers?

Mr. EARWAKER: Yes, sir.

Mr. LESAGE: Is it the same commission?

Mr. PRATT: No, sir.

Mr. LESAGE: What is the amount in each instance?

Mr. PRATT: In Toronto the salesman has a basic wage of \$10. He gets a commission of 16 per cent on retail business and 6 per cent on wholesale business where it is a mixed route. Where it is 100 per cent wholesale route he gets 10 per cent commission. In Montreal there is no basic wage. They get a straight 20 per cent on retail business and 10 per cent on wholesale business.

Mr. FLEMING: Are your drivers organized?

Mr. PRATT: In process.

Mr. PINARD: Does that apply to cakes, also?

Mr. PRATT: Right; that is total sales.

Mr. EARWAKER: I might qualify that understanding of wholesale route by explaining it this way. Wonder Bakeries have no wholesale routes for delivery of bread to stores. Our wholesale routes are entirely used in the way of delivering bread to restaurants, institutions, and so on. It is delivery of bread to consumer outlets, not resale outlets but consumer outlets.

Mr. LESAGE: You sell to stores?

Mr. EARWAKER: But it is sold off the wagon.

Mr. LESAGE: Off the same wagon which is selling to the consumer?

Mr. EARWAKER: Right.

Mr. LESAGE: And it costs you 2.48 cents for one loaf of bread in commission to the salesman only? That is an average of the wholesale and the retail?

Mr. PRATT: That is right.

Mr. LESAGE: Do you not think it is quite high?

Mr. PRATT: We do. I remember that just before I left Toronto on Monday I had the office draw up a comparison. Unfortunately our records have been transferred prior to 1942 but in 1942 our average salesman's wage in the city of Montreal was \$20 per week. In 1948 for the same week of February it was \$45.63.

Mr. PINARD: What is it in Toronto now?

Mr. PRATT: In Toronto, in 1942 it was \$28.43 and in 1948 it is \$42.04.

Mr. LESAGE: The increase in Montreal is much higher.

Mr. FLEMING: It needed to be.

Mr. PRATT: It was much lower to start with.

Mr. LESAGE: It was an increase of over 100 per cent in Montreal.

Mr. EARWAKER: It has been our object.

Mr. LESAGE: I do not say the salesman should not be paid fair wages, on the contrary I think they should, but there has been an increase of over 100 per cent in the wages of salesmen.

Mr. PINARD: This item of 2.48 cents takes care only of that?

Mr. PRATT: Correct.

Mr. FLEMING: I take it with the increase in price the salesman, being on commission, will have higher earnings?

Mr. PRATT: That is what accounts for a good part of it.

Mr. FLEMING: Going back to an answer Mr. Earwaker gave a moment ago to Mr. Lesage regarding the sales to chain stores, may I ask if you have any statistics on your sales to different outlets, classified or broken down as to chain stores, independent stores, and then the direct retail figures?

Mr. EARWAKER: No, it is not separated. To obtain the figure, Mr. Fleming, would entail going back over the routes and having sales slips made for every transaction.

Mr. FLEMING: I would not want to put you to that trouble. Could you give any indication to the committee, or do you feel you have the knowledge and information to help us on this point which arises out of the evidence we have already had? I think most of the chain stores which have appeared before us so far have indicated quite an increase in their over-all sales of bread in recent months since decontrol. We have not had any figures yet of a similar kind with regard to the sales of independent stores as to whether they have enjoyed an increase on the turnover of bread. Could you give us any help on that in the light of your own experience?

Mr. EARWAKER: Our wholesale sales to stores, Mr. Fleming, are not more than—I was going to say 5 per cent, but I will say $7\frac{1}{2}$ per cent of our total sales. Our sale of bread to retail stores is a very small item.

Mr. FLEMING: Does that include chain stores?

Mr. EARWAKER: That is every kind of store.

Mr. LESAGE: Is the large proportion of your sales to institutions and restaurants, or is it to consumers in general?

Mr. EARWAKER: To the home.

Mr. FLEMING: Excuse me, but coming back to the $7\frac{1}{2}$ per cent that you spoke of, could you give us any information on the point I was asking about?

Mr. EARWAKER: It is only hearsay from the sales manager. The figures will come out at the end of the five week period but the hearsay from the sales manager is that sales have decreased a little.

Mr. FLEMING: That is your total sale to chain stores and to independent retailers?

Mr. EARWAKER: Yes.

Mr. FLEMING: So that if there is an increase in the sales through chain stores it must mean there is a decrease in sales to independents.

Mr. EARWAKER: Everyone feels the chain stores are taking some of that business from us.

Mr. FLEMING: From you or the independent stores?

Mr. EARWAKER: Well they are taking the trade from the retail store who is selling bread at the average of 13 or 14 cents, whichever price prevails in the locality.

Mr. FLEMING: You are talking of what I call the independent grocers.

Mr. EARWAKER: The independent grocers, yes.

Mr. LESAGE: Or perhaps a chain store like Dionne, which is paying a lot of money for its bread.

Mr. FLEMING: The witness perhaps cannot help us here, but probably Mr. Dyde could consider whether we are in a position to get from any adequate source the over-all figures on bread production? I appreciate you cannot get that for a lot of small bakers, but we could get an up to date figure on the over-all bread production in Canada? We have got the figures of some of the big producers and we have got the sales of some of the big chain stores, but I would like to get something more complete in the way of figures on production which would enable us to test the extent of this transfer of the retail store business from the independent store to the chain store in the recent months since decontrol, to see whether that picture is borne out right across the country?

Mr. EARWAKER: I would say it would be very difficult to obtain an accurate figure. It is almost impossible to get an accurate figure, because there are so many bakers across Canada and their figures as compiled and kept by them, are, in my experience, not very reliable.

Mr. FLEMING: Is there any short cut you can suggest to us, Mr. Earwaker, apart from this laborious method of taking them individually, baker by baker?

Mr. EARWAKER: Give me your question again, sir? What do you want?

Mr. FLEMING: I want to get as accurately as possible the over-all figures on bread production in Canada. It would not need to be an exact figure because we realize there are very many small bakers but I want enough to give us the trend. The information we have had so far is that there has been an increase in bread consumption in Canada even since decontrol. There has been apparently an upward trend going on since 1939, continuing even after decontrol. We have had information from some of the leading chain stores that they are doing a bigger business in bread since decontrol and in some cases the increase in volume is quite large.

Mr. EARWAKER: Yes.

Mr. FLEMING: I want to get as dependable figures as possible in order to see if that trend is reflected across the whole picture in Canada. Has there been any greater trend towards the retail store business, through the chain stores at the expense of the independent retail store, since decontrol?

Mr. EARWAKER: To obtain the figures for you sir, I would say would be a very, very long process. It would entail a tremendous lot of work. The only

way I could suggest would be to have some of your representatives, auditors or accountants, visit the small bakers and obtain statements from them as to exactly what they are doing.

Mr. FLEMING: Would it be safe in trying to establish a trend to confine our inquiry to the larger bakers?

Mr. EARWAKER: I think it would be a fair estimate, sir.

Mr. FLEMING: You think their experience in that regard would be reflected in the experience of the small bakers?

Mr. EARWAKER: Our experience, especially in Consolidated Bakeries, would give you quite a true picture because we concentrate on the retail sale of bread to the home.

Mr. FLEMING: Then we could leave it this way? Within the 7½ per cent you sell to the stores, independent or chain, you could give us a breakdown which would enable us to follow the trend since decontrol?

Mr. EARWAKER: There are over 800 routes.

Mr. FLEMING: I guess we cannot go farther than that.

Mr. PINARD: Would you be able to give us a further explanation of this item on page 7, delivery expenses for January 1948? Would you be able to give a further explanation as to how that figure 1.65 is made up?

Mr. PRATT: That is an apportionment on the basis of units of cake, and tons of bread, as applied to our total cost of operating delivery equipment such as horse feed, wagon expenses, wagon repairs, depreciation on horses and wagons, cost of operating motor vehicles, garage labour, stable labour, gasoline and oil, and motor repairs. It includes all those items in connection with delivery equipment.

Mr. PINARD: And that alone represents for each loaf of bread 1.65 cents?

Mr. PRATT: Correct.

Mr. PINARD: In other words you say the delivery of a loaf of bread costs your organization more than 4 cents?

Mr. PRATT: It did in January, sir.

The VICE-CHAIRMAN: Just following up that question, I thought, from some of your answers, that you had compiled your figures from your total trade and, therefore, there would be reflected in your figures the intake and the out-go with reference to cakes and other things besides bread? That has all been taken out.

Mr. PRATT: All cake expenses have been eliminated from this.

The VICE-CHAIRMAN: From what is on page 7; I see.

Mr. PRATT: Correct.

The VICE-CHAIRMAN: So this 2.48 was the cost of the wages and sales commissions with regard to the loaf of bread, and we know in looking at it that there were some other costs of the same sort related to the other kinds of baking.

Mr. PRATT: Correct.

The VICE-CHAIRMAN: But they are not there?

Mr. PRATT: Not included at all.

Mr. LESAGE: Does this figure, 2.48, include all the salesmen's commission?

Mr. PRATT: No sir.

Mr. LESAGE: What does it include?

Mr. PRATT: Every bakery has a sales manager.

Mr. LESAGE: Yes.

Mr. PRATT: Every group of from 11 to 13 routes has a sales supervisor.

Mr. LESAGE: Yes.

Mr. PRATT: Every bakery has 1 to 5 spare salesmen. Usually they have 1 spare salesman to every 12 or 13 routes because men will get sick.

Mr. LESAGE: What is the average salary of your sales managers?

Mr. PRATT: In Toronto it is \$55.

Mr. LESAGE: A week?

Mr. PRATT: I am guessing at that, now, from memory. There are 10 bakeries and I do not see these figures; they are handled at the bakery.

Mr. LESAGE: I know what you mean.

Mr. PRATT: But none of them, with the exception of Montreal is over \$75.

Mr. LESAGE: And what about the supervisors?

Mr. PRATT: The supervisors are on a sort of commission basis. They receive the same commissions that the salesman does, based on the average sale for his team, plus a basic wage of a \$1 or \$1.50, depending on the area of the man he supervises.

Mr. IRVINE: What do you pay the men who drive the vans?

Mr. PRATT: They are on a wage, probably \$35 to \$45.

Mr. LESAGE: I should like to have a little more detail about these supervisors. I do not quite understand that. You say they are on the same commission as—

Mr. PRATT: Yes, a supervisor has for example, twelve routes.

Mr. LESAGE: Yes.

Mr. PRATT: The sales of those 12 men are totalled and averaged as between wholesale and retail and he gets the commission rate on that average plus the basic rate of \$1 or \$1.50 per route supervised. Therefore, if he has 12 routes and he gets \$1 a route, he gets a commission average plus \$12; the average per route for the 12 routes.

Mr. WINTERS: For how many days?

Mr. PRATT: Per week.

Mr. FLEMING: How do his over all earnings compare with these driver salesmen then, about the same?

Mr. PRATT: No, because he has the average. He may have a man on his route who is making \$80 per week while he is drawing \$45.

Mr. FLEMING: Taking the average, and comparing his earnings with the average earnings of the drivers—

Mr. EARWAKER: He is very close; there is little difference between the supervisor and middle class or medium salesman.

Mr. LESAGE: He has this basic \$1 or \$1.50 over what the other man has.

Mr. EARWAKER: We have some salemen, exceptional salesmen, making more than the sales manager. They are exceptional men.

Mr. FLEMING: I had an experience with that with one company in looking into it in connection with a labour matter. I found that the average supervisor was probably making a trifle less than the driver salesman.

Mr. EARWAKER: You can say that is true.

Mr. LESAGE: In certain instances.

Mr. EARWAKER: There are instances in our company where a supervisor is making less money than the salesmen.

Mr. PINARD: Where do we find, on this exhibit 42, a breakdown of the 6·12 for January, 1948, for materials.

Mr. MACINNIS: Before you turn to that, may I ask about another item on page 7?

The VICE-CHAIRMAN: He is dealing with page 7 but has shifted over a column.

Mr. PINARD: I wish to know if you have a further breakdown in this exhibit of this item I find for material used. For instance, in January, 1948, it is 6.12 cents for material. Have you got a breakdown of that?

Mr. PRATT: The very next schedule which I guess you have not reached, number 8.

The VICE-CHAIRMAN: That is where this 6.12 comes from?

Mr. PRATT: Yes, except that for No. 8 we have taken a specific formula. We have taken the unit cost based on what we should get from that formula and 6.12 is the average for all bread baked for the five weeks and applied against what we actually got out of that formula.

Mr. EARWAKER: Mr. Chairman, that is where your difference in output from the batch comes; where your loss in damaged bread from the plant comes in.

The VICE-CHAIRMAN: Would it be correct to say that No. 8 shows, in respect to one particular loaf or one particular kind of bread, what is theoretically the case?

Mr. PRATT: Correct.

The VICE-CHAIRMAN: No. 7, in that column for materials, places in abbreviated form the same story in actuality and that is the difference between the two?

Mr. PRATT: Yes.

Mr. MACINNIS: Would the witness explain what is included in the item under the heading "Administration"?

Mr. PRATT: The local office expenses. On this statement we do not apply any head office expenses.

Mr. MACINNIS: I just noticed, in comparison with the other items there has been, perhaps, a large percentage of increase in this item than in most of the others?

Mr. PRATT: Office help today is very hard to get and the result is that, in some cases, you have to hire three people to do the work that two used to do. In some cases, you have to pay them twice as much as we used to pay for the same help.

The VICE-CHAIRMAN: Is that column, then, largely a wage column?

Mr. PRATT: Principally; taking a year's figures, office salaries total \$194,000 and other expenses total \$40,000.

Mr. JOHNSTON: Was there a large turn-over for your office help?

Mr. PRATT: Tremendous, all the time.

Mr. JOHNSTON: I would assume you had a steady increase and, therefore, that you had a continual turn-over?

Mr. EARWAKER: I think it is steadying down now, but during the war it was a very troublesome question.

Mr. JOHNSTON: From now on, your cost should go down.

Mr. EARWAKER: It should go down or remain the same.

Mr. PRATT: This .24 per unit is related to volume. Office expense does not go down as volume drops with the result your cost per unit goes up at the same time.

The VICE-CHAIRMAN: What is the highest priced official whose employ is included under the word "administration"?

Mr. PRATT: Office manager in the bakery—oh, the bakery manager, too.

Mr. FLEMING: Do I understand from your second last answer then that page 7, the last figure, 12.69 cents, total cost of a loaf of bread to you, does not really include all your costs?

Mr. PRATT: It does not include our head office expense.

Mr. FLEMING: I suppose you have not allocated that or broken it down?

Mr. PRATT: We do not allocate it, sir; but I have it. Last year's expenses for operating our head office were \$151,000. The year before, it was \$126,000.

Mr. JOHNSTON: Did that have a relationship, then, to the overhead column?

Mr. PRATT: Not on this statement, that is not in here at all.

Mr. JOHNSTON: On page 7, you have overhead.

Mr. PRATT: That is manufacturing overhead.

Mr. JOHNSTON: That is in the actual operation of the bakery?

Mr. PRATT: Correct.

The VICE-CHAIRMAN: The cost of the head office is, in no wise, related to one loaf?

Mr. FLEMING: We may have passed over page 4 a little quickly. There is a question I should like to ask in connection with it, if I may. It is clear from this sheet that the great volume of your sales is in the grade 1, the more expensive bread?

Mr. EARWAKER: Yes, sir.

Mr. FLEMING: Have you figures to indicate what the trend has been, either from grade 2 to grade 1 or grade 1 to grade 2, since the decontrol?

Mr. EARWAKER: Our grade 1 is increasing.

Mr. FLEMING: What about grade 2?

Mr. EARWAKER: Grade 2 is, if anything, decreasing a little in some areas.

Mr. FLEMING: Notwithstanding the increase in price, the public does buy that more expensive loaf in greater proportion.

Mr. EARWAKER: The chain stores which are selling bread at 10 cents are taking that trade away from us.

Mr. FLEMING: The evidence we have had from the chain stores has been that their sales have increased in the 10-cent loaf very greatly.

Mr. EARWAKER: Yes.

Mr. FLEMING: But there has not been an increase of any amount in the sale of the more expensive loaf. Your experience is quite different, and that is the reason you give that they are taking—

Mr. EARWAKER: They are taking the cheaper bread sales away from us.

Mr. JOHNSTON: Why is that?

Mr. FLEMING: That would not account for the increase in your sales of the more expensive bread. It might account for some increase in the percentage of your output from grade 2 to grade 1, but you have a fairly constant volume of output of bread even under decontrol?

Mr. EARWAKER: Yes.

Mr. FLEMING: So, that means you have had an increase in the volume of sales of grade 1 bread?

Mr. EARWAKER: It was not in 1946; up until about August 23, 1947, there was no increase during that period. However, Mr. Pratt will give you the figures for the five-week period showing what took place.

Mr. PRATT: These figures cover only Toronto and Montreal. I did not get the figures from the other seven bakeries. For the week ending August 23, Montreal, our good bread was 478,000. For the week ending January 17, it was 435,000.

Mr. FLEMING: This is grade 1?

Mr. PRATT: Grade 1, for the week ending February 14, 423,000. Our cheaper bread for the same period, August 23, was 155,000; January 17, 144,000; February 14, 138,000.

Mr. FLEMING: Could you supply us, some time, with the complete figures for your over-all operation?

Mr. PRATT: I believe I could. It is just a matter of tabulation and then grouping them.

Mr. FLEMING: Would you do that for the period?

Mr. EARWAKER: We would be glad to include the last five weeks of our business in those figures. We will give you the trend of sales in the different qualities of our bread for the last five weeks, if you wish it.

Mr. FLEMING: Has your company a sales policy of seeking to favour one grade of bread over the other in pushing your sales at all?

Mr. EARWAKER: We do advocate that our salesmen sell our better quality of bread.

Mr. FLEMING: That is the grade 1 bread?

Mr. EARWAKER: Yes.

Mr. FLEMING: It is a more nutritious loaf, obviously, from the figures you have given concerning the formula?

Mr. EARWAKER: We make the other for the sole purpose of trying to meet competition.

Mr. FLEMING: You mean by that you would not have a grade 2 loaf if it were not for competition?

Mr. EARWAKER: No, we would not. We do not like it. We do not think it increases the consumption of bread.

Mr. LESAGE: How is that?

Mr. EARWAKER: We do not think making a cheaper loaf of bread increases the consumption of bread.

Mr. LESAGE: This .45 cents loss for one loaf of bread is an average throughout your bakeries?

Mr. EARWAKER: Correct.

Mr. LESAGE: Could you tell me if there is a general trend in certain bakeries to show more profit than others, on bread?

Mr. EARWAKER: That depends entirely on the percentage sold wholesale and retail and the amount of good bread, No. 1 bread, sold.

Mr. LESAGE: May I assume from your answer that you are making more money on your first grade bread than on your second grade bread?

Mr. EARWAKER: Mr. Pratt's figures should give you that.

Mr. PRATT: We do not have that broken down.

Mr. LESAGE: No, but I inferred from that answer—you say it depends on what proportion of first and second grade bread is sold, so there should be a difference in the profit received from the sales in each case?

Mr. EARWAKER: The sales are larger and, therefore, the earnings would be greater.

Mr. LESAGE: There is the volume, of course. You say the other difference would be in the wholesale and retail sales. Do you make more money on retail sales than on wholesale sales?

Mr. EARWAKER: That is a very controversial question in our office. I disagree with my own office on that.

Mr. LESAGE: Would you give us your version and your office's version?

Mr. EARWAKER: At times they show me, according to figures, we are making a profit on some of these wholesale sales, such as bread sold to institutions; bread sold to some hospital.

Mr. LESAGE: Because the commission of the salesman is lower?

Mr. EARWAKER: The commission, at times, is not a commission at all; it is just a delivery charge. The party who delivers it does not receive a commission at all. He is a special delivery man.

Mr. LESAGE: The average would be about equal in all bakeries and in all cities?

Mr. PRATT: It does not vary very much.

Mr. WINTERS: Mr. Chairman, with reference to page 7 of Exhibit 42, I wonder if the witness could tell us, since the January period of 1947, if the company is realizing an operating profit on its over all operation?

Mr. EARWAKER: Could I get those dates again, please?

Mr. WINTERS: Since the 1st of January, 1947.

Mr. DYDE: We have up until September. If you will look at page 12 I think that is set out in detail.

Mr. WINTERS: This is for the over-all operation, the cost of bread.

Mr. PRATT: The cost of bread, correct.

Mr. WINTERS: Now, you have experienced an operating loss for the two periods October and December?

Mr. PRATT: Yes, and June.

Mr. WINTERS: According to page 7 for two periods only you show a loss of about .3 cents per loaf for approximately 45,000,000 loaves during those periods—roughly, those are my figures—and as against that you have shown for the period of November an operating profit of .26 per loaf.

Mr. PRATT: You said 45,000,000 loaves?

Mr. DYDE: Did you not mean 4,500,000?

Mr. WINTERS: Their statement shows they are doing roughly 9,000,000 loaves.

Mr. PRATT: 9,000,000?

Mr. WINTERS: Yes. It is in excess of that.

Mr. PRATT: Yes, if it is for a five-week period.

Mr. WINTERS: Yes.

Mr. PRATT: That is 9,000,000.

The VICE-CHAIRMAN: You had I think said 45,000,000, that is where the difficulty came. Is that not what you said?

Mr. DYDE: Yes.

The VICE-CHAIRMAN: It is just that you mixed figures.

Mr. WINTERS: Possibly I did.

The VICE-CHAIRMAN: I think it was 45,000,000; there is also the possibility of getting mixed up on poundage and loaves.

Mr. WINTERS: Perhaps—when you look at pounds you see 9,000,000 for the period and there are five periods; surely that makes 45,000,000?

Mr. PRATT: Yes.

The VICE-CHAIRMAN: They misunderstood, thought you were referring to a period.

Mr. EARWAKER: Which page have you, sir?

Mr. WINTERS: Page 3, and Page 7.

Mr. EARWAKER: And you are giving the loaves we make per period?

Mr. WINTERS: I was just making a quick analysis. I must say I am a little mixed as between loaves and pounds; but assuming that it was 9,000,000 pounds that would give you 6,000,000 24-ounce loaves?

Mr. PRATT: Approximately.

Mr. WINTERS: Then from the period since January of last year you sustained an over-all loss in the vicinity of \$100,000.00 on that operation itself?

Mr. PRATT: Since September, that is right.

Mr. WINTERS: Since January.

Mr. PRATT: In January we had a profit.

Mr. WINTERS: But since the January period you show a loss in every period except one.

Mr. PRATT: This is right. On page 7 we have the figures between January and July.

Mr. WINTERS: No, they don't show here. This would indicate that in a period of approximately a year you only show a profit for one period; that may be your way of presentation. I do not know.

Mr. PRATT: We took January and July, 1946—January to July, 1947—and then we took them by periods from there over the October period during which controls were lifted.

Mr. WINTERS: Oh!

Mr. PRATT: Actually we did show a profit.

Mr. WINTERS: Starting with July you show several periods there in which you had a loss offset by only one period in which you show a profit, and I would imagine based on poundage you have shown an operating loss of roughly \$100,000.00.

Mr. PRATT: That is about true.

Mr. WINTERS: For the same period can you say whether you have an over-all profit on your over-all operations?

Mr. PRATT: \$25,000.00 in July of 1947, \$250,000.00 in September over a seven-week period; we had a loss of \$9,800.00 October; a profit of \$51,000.00 November; a loss of \$12,696.00 in December.

Mr. LESAGE: That is an over-all?

Mr. PRATT: An over-all profit.

Mr. LESAGE: But you said you sustained an over-all loss.

Mr. PRATT: In October and November we manufacture our Christmas trade.

Mr. LESAGE: And you make a lot on that.

Mr. PRATT: I would not say a lot. There is a tremendous volume goes through and our profit per unit would not be a lot, but on all the units it represents a substantial figure.

Mr. WINTERS: The point I wanted to make or the question I wanted to ask is if on your cake and other sweet goods operations you more than wipe out the deficit in regard to your bread operation. You in fact show an operating profit on your entire operation.

The VICE-CHAIRMAN: That would appear to be correct, would it?

Wait just a moment now, gentlemen. There are conversations here for the purpose of getting the answer correct and the reporter had to stop for a few seconds on that account. We will resume now.

Mr. WINTERS: I think it is fairly obvious, Mr. Chairman—I am speaking of the figures shown on page 7 at which this exhibit starts to show a loss.

The VICE CHAIRMAN: Yes.

Mr. WINTERS: From that time on there is a heavy loss on bread which is more than offset by the profit on your other products?

The VICE CHAIRMAN: That is true, is it not, Mr. Earwaker?

Mr. EARWAKER: Yes, it is; with the exception that Mr. Pratt ought to give you exactly our financial position on earnings from both bread and cake at any one period.

The VICE CHAIRMAN: Yes. Mr. Winters was only remarking, and asking either formally or otherwise, that you evidently show a loss on your total bread operation over the period to which he was directing attention?

Mr. EARWAKER: Yes.

The VICE CHAIRMAN: And then learned that despite the fact that there was an over-all profit?

Mr. EARWAKER: Yes.

The VICE CHAIRMAN: So he asked if that was so and the answer to that was yes.

Mr. EARWAKER: Yes.

The VICE CHAIRMAN: You would add to that that if desired exact figures for each of these periods could be given; is not that where we stand at the moment?

Mr. EARWAKER: Yes.

Mr. WINTERS: I just wanted to say in the light of what you have said that my attention was drawn to it by the size of the loss on that operation, roughly \$100,000.00 for the period in question. Then I wanted to ask just one more question which was not directly related to that, but on pages 1 and 2 of Exhibit 42 where plants are shown, the only one's I can see operating in Montreal is James Strachan Limited, and one in connection with which there is the notation, "formerly Dent Harrison and Sons Limited"; are there others in Montreal?

Mr. EARWAKER: No, sir. We have two plants in Montreal.

Mr. WINTERS: Then, on page 3, sales volume of Wonder Bakeries Limited in Montreal, you show heavier sales in Montreal than in Toronto. How is that explained?

Mr. EARWAKER: Montreal is a much larger city.

Mr. WINTERS: I know, but they manufacture less in Montreal than Toronto and sell some in Montreal from Toronto?

Mr. EARWAKER: No, the plants are much bigger.

The VICE CHAIRMAN: You have fewer plants but they do a larger volume of business.

Mr. EARWAKER: We have immense plants in Montreal.

Mr. WINTERS: The figures rather indicated to me that possibly you were bringing bread from Toronto to Montreal, bringing it in from outside.

Mr. EARWAKER: We did at one time have to ship to Montreal on account of the sales volume being over our capacity to produce in the Montreal plant, sir.

Mr. WINTERS: And this heavy sales volume in Montreal is taken care of by production in Montreal?

Mr. EARWAKER: Yes.

Mr. LESAGE: There is only one plant in Toronto?

Mr. EARWAKER: One, sir.

Mr. PINARD: Do you own the Purity Baking Company? We were told by the treasurer of General Bakeries that they had purchased it in 1946.

Mr. EARWAKER: Consolidated Bakeries?

Mr. PINARD: No, General Bakeries told us that they had purchased it in 1946. I see on page 1 of your exhibit that you refer to Purity Bakeries Limited and Purity Bread Limited, former plants at Peterborough, Kingston and Napanee.

Mr. EARWAKER: They are not Purity Baking Company, sir.

Mr. PINARD: I know, but you have them at Peterborough, Kingston and Napanee.

Mr. EARWAKER: I am sorry, I was on the wrong page.

The VICE CHAIRMAN: We were told by the other company that they had bought Purity Bakeries.

Mr. PINARD: Purity Baking Company.

The VICE CHAIRMAN: Yes. Your reference indicates that you had two plants by that name, one at Peterborough and one at Lindsay, apparently the same name.

Mr. PINARD: Yes, the same as at Montreal.

The VICE CHAIRMAN: And the question by Mr. Pinard is if you bought them?

Mr. EARWAKER: General Bakeries, sir, purchased some of Purity Bread, and Consolidated Bakeries purchased some of that.

Mr. PINARD: That is the explanation; in other words, you divided it, you purchased one section of the company and the other party purchased the other section of the company?

Mr. EARWAKER: Consolidated Bakeries did not purchase it from Purity Bakeries, we purchased it from Mr. Calvin. Consolidated Bakeries purchased it from Mr. Calvin.

Mr. PINARD: Who is he?

Mr. EARWAKER: Legal Advisor for Glenora Securities Limited.

Mr. PINARD: That is what I thought we would come back to, General Securities again?

Mr. EARWAKER: Yes.

Mr. PINARD: In other words, Glenora Securities—There was some relationship between them and—

Mr. EARWAKER: That Glenora Securities, I understand is the holding company, or you might say a stock-holding company for Ogilvie Flour Mills Limited, as I understand it.

Mr. LESAGE: And this Purity Bakeries Limited was a subsidiary of Ogilvie Flour Mills Limited?

Mr. EARWAKER: As I understand it, yes.

Mr. LESAGE: So there is some relationship between General Bakeries and yourselves?

Mr. EARWAKER: Not General Bakeries, absolutely not; none whatsoever, sir.

The VICE CHAIRMAN: That is not in the evidence.

Mr. LESAGE: It is a question.

The VICE CHAIRMAN: I thought you were saying or inferring that it had been said.

Mr. LESAGE: No. We were also told by Mr. MacDonald, the treasurer of General Bakeries, that they had purchased Purity Bread in Toronto; in other words, we have Purity Baking Company, Purity Bakeries and Purity Bread Limited.

Mr. EARWAKER: Purity Bread in Toronto was formerly owned and operated by Purity Mills, sir.

Mr. LESAGE: And it has nothing to do with your company?

Mr. EARWAKER: No.

Mr. PINARD: Do you know if there is any relationship between Purity Mills and General Securities?

Mr. EARWAKER: Not to my knowledge.

Mr. LESAGE: From whom do you buy your flour?

Mr. EARWAKER: Chiefly from Agilvie Flour Mills Limited. We have that broken down; that is on page 10.

Mr. LESAGE: Well then, I will reserve my question until we reach that page.

Mr. HARKNESS: I notice that there has been a slight reduction in your overhead, is that an augury for the future, that might be brought down, do you know?

Mr. PRATT: That could be affected in December by plant repairs which were not taken into January. That item might fluctuate enough to make that difference of .04 cents.

The VICE-CHAIRMAN: Could you detail easily and quickly the items that constitute overhead; not necessarily the figures, just the items?

Mr. PRATT: All right: Oven fuel, repairs to machinery—I beg your pardon, steam fuel is separate—repairs to machinery, cake shop uniforms, janitor supplies, steam fuel, power purchased, insurance, taxes and other repairs; light, water—that covers it.

The VICE CHAIRMAN: What are those taxes?

Mr. PRATT: Municipal taxes only.

Mr. HARKNESS: The best indications are from what you have said then this probably only a very temporary thing.

Mr. PRATT: Quite possibly.

Mr. HARKNESS: It does not indicate any trend that way.

The VICE CHAIRMAN: Any way, it is down.

Mr. EARWAKER: That is correct.

Mr. PRATT: It could be that in December it went up too high.

The VICE CHAIRMAN: Yes, there was a jump, quite a jump, wasn't there?

Are there any other questions now on page 7? Have you any more, Mr. Dyde?

Mr. DYDE: I have no questions on page 8.

The VICE CHAIRMAN: Ingredients—there is nothing said on page 8 about the Montreal low price which is mentioned further up. We won't follow that up. Do you want to follow that up?

Mr. DYDE: I have no questions at the moment on pages 9 and 10.

Mr. LESAGE: On page 10 I have only one question. Is there any relation except that of supplier and buyer between Ogilvie Flour Mills and Consolidated Bakingeries or any branch thereof?

Mr. EARWAKER: I did not get your question. The reporter was asking Mr. Williston something.

Mr. LESAGE: Is there any connection, except the connection of supplier and buyer, between Ogilvie Flour Mills and Glenora Securities?

Mr. EARWAKER: Glenora Securities Limited are shareholders in Consolidated Bakingeries.

Mr. LESAGE: What percentage of the shares do they hold?

Mr. EARWAKER: There are issued 339,442 shares. Glenora Securities has 155,504 shares.

Mr. FLEMING: Less than half.

Mr. LESAGE: Less than half?

Mr. EARWAKER: Yes, sir. There are approximately 2,700 shareholders.

Mr. LESAGE: Are there any large shareholders besides Glenora Securities?

Mr. EARWAKER: I am told by the secretary that there are no extra large ones. I have not looked over the list myself.

Mr. LESAGE: No extra large ones?

Mr. EARWAKER: No.

Mr. PINARD: Are those ordinary shares?

Mr. EARWAKER: All ordinary shares, all common shares.

Mr. LESAGE: All common shares?

Mr. EARWAKER: Yes.

Mr. LESAGE: And the balance of the shares are paid for on the 339,442 issued?

Mr. EARWAKER: Yes.

Mr. PRATT: The stock is listed on the Toronto Stock Exchange.

Mr. LESAGE: Is there any one holding more than 1,000 shares besides Glenora?

Mr. EARWAKER: I hold 6,000 myself.

Mr. LESAGE: Are you the second largest holder?

Mr. EARWAKER: I could not answer that. I have not asked the secretary.

Mr. PINARD: Are you also a director of Glenora Securities?

Mr. EARWAKER: No, sir.

Mr. LESAGE: A director of Ogilvie Flour Mills?

Mr. EARWAKER: Yes.

Mr. LESAGE: Are there any directors of Ogilvie's besides you who own shares in Consolidated?

Mr. EARWAKER: I could not answer that question.

Mr. LESAGE: Do you know the directors of your company, Consolidated Bakeries?

Mr. EARWAKER: Yes.

Mr. DYDE: They are in exhibit 40 and 41.

Mr. LESAGE: If any one of those gentlemen a director of Ogilvie's besides Glenora?

Mr. EARWAKER: Any one...

Mr. LESAGE: Of the directors of Consolidated Bakeries?

Mr. EARWAKER: A director of Ogilvie's?

Mr. LESAGE: Yes.

Mr. EARWAKER: Yes. The Consolidated Bakeries directorate is the Honourable Charles Dunning, A. Earwaker...

Mr. PINARD: Is he on both boards?

Mr. EARWAKER: Yes, sir.

Mr. PINARD: You do not know the directors of Glenora Securities?

Mr. EARWAKER: I do not know.

Mr. PINARD: You do not know the directors of Glenora Securities?

Mr. EARWAKER: I am not sure. All I can say is that being chairman of the board of Ogilvie's he would naturally be on Glenora Securities, but you

would have to get that from the president of Ogilvie's. I am sure he would give you that answer, send it to you on paper.

The VICE-CHAIRMAN: I do not know whether that question was fully answered. You were going over the list of directors. Are there any others?

Mr. EARWAKER: Yes, sir. Mr. Dunning is a director of both.

Mr. FLEMING: Both Ogilvie's and Consolidated; you are not speaking of Glenora?

Mr. EARWAKER: No.

Mr. LESAGE: I am not asking about Glenora.

Mr. EARWAKER: Personally I am a director of both companies. Beaudryman is a director of both companies. Ross McMaster is a director of both companies. Mr. Morris is a director of both companies. F. K. Morrow is a director of both companies.

Mr. LESAGE: The total of the Consolidated Bakeries shares owned by Glenora Securities and by the directors you have just named is more than half the 339,443?

Mr. EARWAKER: I could not answer that.

Mr. LESAGE: It is most probably, anyway?

Mr. EARWAKER: I could not answer that. You would have to get that from the Royal Trust.

The VICE-CHAIRMAN: In your experience, Mr. Earwaker, as a shareholder of companies and a director of some, would you say it is usually necessary to have more than half the shares in order to exercise control of the company?

Mr. EARWAKER: Oh, it depends a great deal on the amount of stock issued.

The VICE-CHAIRMAN: It depends a good deal, does it not, on whether the issue of stock is rather widely diversified.

Mr. EARWAKER: Yes, sir.

The VICE-CHAIRMAN: In this particular case the stock which is held by Glenora and some of the directors comes to what, one-third?

Mr. LESAGE: More than that.

Mr. EARWAKER: More than that, sir.

The VICE-CHAIRMAN: It does not come to a half but it approaches it?

Mr. PRATT: Glenora Securities is 45 $\frac{3}{4}$.

The VICE-CHAIRMAN: Even if there is not 50 per cent or 51 per cent in those hands there probably is control by reason of the fact the balance of the stock is rather far flung?

Mr. EARWAKER: We feel that.

The VICE-CHAIRMAN: You feel control lies there in Glenora and the few directors you have named?

Mr. EARWAKER: We feel reasonably safe, sir; I must admit that. Naturally I could not put the value of 6,000 shares in there if I did not think so.

Mr. LESAGE: Of course not.

Mr. PINARD: You said you purchase all your flour from Ogilvie Flour Mills?

Mr. EARWAKER: No, sir, we do not.

Mr. LESAGE: There is Taylor's.

Mr. PINARD: Page 10.

Mr. EARWAKER: That will give you the various purchases. In addition to that we purchase flour from the Quaker Oats Company, Lake of the Woods Milling Company and the Caledonia Milling Company.

Mr. PINARD: What is the relation between these other mills and the Ogilvie Flour Mills and yourself? In other words, do you have a controlling interest in these mills you have mentioned or some of them?

Mr. EARWAKER: No, sir. Consolidated Bakeries have no control of all mills.

Mr. LESAGE: None but Ogilvie's?

Mr. EARWAKER: We have no control. We have no connection with Ogilvie.

Mr. PINARD: I should like to know if you have any connections with the others also?

Mr. EARWAKER: No, sir.

Mr. LESAGE: Has Ogilvie Flour Mills any connection with the others?

Mr. EARWAKER: Mr. Morrow has an interest in the Taylor Milling Company.

Mr. LESAGE: Mr. Morrow.

Mr. EARWAKER: Mr. F. K. Morrow, the Taylor Milling Company.

Mr. LESAGE: Is he the owner of it?

Mr. EARWAKER: I could not answer that. I know he is financially interested though.

Mr. LESAGE: You are buying most of your flour from Ogilvie's and Taylor's.

Mr. EARWAKER: And from Quaker Oats, Lake of the Woods and Caledonia.

Mr. LESAGE: But it would be smaller quantities from those last three?

Mr. EARWAKER: You are right.

Mr. PINARD: Are any of the directors of Consolidated Bakeries directors of the boards of the others, Lake of the Woods and Quaker Oats?

Mr. EARWAKER: No, sir.

Mr. HARKNESS: Are your prices the same from all these flour milling companies?

Mr. EARWAKER: There is a small margin of difference, probably at times running from 10 to 20 cents a barrel.

Mr. HARKNESS: Referring to tables 8 and 10 your flour per barrel for your first grade is \$7.60 and your second grade is \$7.10. Is that the same flour?

Mr. EARWAKER: No.

Mr. HARKNESS: They are different flours?

Mr. EARWAKER: No. 1 grade and No. 2, tops and seconds.

Mr. HARKNESS: Looking at page 10, I see that for Glenora Flour the Ontario price is \$7.60, and in Montreal Glenora Flour is \$7.10. In other words, it is the same two figures that you show over here for two different kinds of flour. What actual relation is there between those?

Mr. EARWAKER: In Ontario our flour costs again —

Mr. HARKNESS: On table 10 you have got Glenora flour here.

Mr. EARWAKER: Yes, under what date?

Mr. HARKNESS: January 16th.

Mr. EARWAKER: Yes.

Mr. HARKNESS: \$7.60?

Mr. EARWAKER: Yes.

Mr. HARKNESS: And Glenora Flour, Montreal, the same date, \$7.10?

Mr. EARWAKER: That is explained by the fact that in Montreal we use our own cotton bags, seamless bags. We have the flour milled and packed in those bags and delivered direct to our bakery. Those bags are emptied, cleaned and go back to the mill for recharging. In that way we make a saving.

The VICE CHAIRMAN: Does that account for the difference between the \$7.60 and \$7.10, 50 cents.

Mr. EARWAKER: Yes.

The VICE CHAIRMAN: That is the difference by reason of that practice?

Mr. EARWAKER: It is.

Mr. HARKNESS: The fact that these figures, \$7.60 and \$7.10, which you show for your first grade and second grade flour, are the same figures has no relation then? They have no relation to each other?

The VICE CHAIRMAN: To what do you refer there?

Mr. HARKNESS: On table 8 for January 16th, flour per barrell for first grade is shown at \$7.60. Flour per barrell for second grade is shown at \$7.10 and, as I say, they are the same figures that are shown here for Glenora in Ontario and Montreal respectively.

Mr. PRATT: That is Montreal. Toronto is \$8.10 for the first grade and \$7.60 for the second grade.

The VICE CHAIRMAN: At which column are you looking?

Mr. HARKNESS: I see. I was looking at the Montreal column. You have got your flour \$7.60 for first grade but on page 10 you show Glenora flour as being \$7.10.

Mr. PRATT: That is second grade flour. Royal Household is the first grade.

Mr. FLEMING: Is there any advantage to you in dealing with Ogilvie's?

Mr. EARWAKER: Other than today we are getting to a period when we can demand of the mill a standard of flour set by our chemist.

Mr. FLEMING: Have you any contract with Ogilvie's or any of the other companies?

Mr. EARWAKER: Absolutely no contract.

Mr. FLEMING: You are perfectly free to buy at the market at any time?

Mr. EARWAKER: I am free; I am a free agent with that company.

Mr. FLEMING: And Ogilvie's do not offer you any advantage in price or in any other way except you think you are getting some opportunity to establish and insist upon a particular standard?

Mr. EARWAKER: Heaven help the management of Ogilvie's if I find out they are, sir. That is all I have to say.

Mr. LESAGE: What about price? Do you think Ogilvie's sell flour at a lower price to any other baker?

Mr. EARWAKER: If they do I do not know it, and if I learn they are there will be something said.

Mr. PINARD: Do you know if they are selling at a higher price?

Mr. EARWAKER: I could not answer that.

Mr. PINARD: You do not know?

Mr. EARWAKER: No. I am sure their books would show it, and I am sure the president of the Ogilvie Company would give you all that information if you would ask him.

Mr. LESAGE: You are director of Ogilvie's?

Mr. EARWAKER: Well, naturally I do not know all that.

Mr. LESAGE: I think, Mr. Chairman —

Mr. JOHNSTON: Mr. Chairman —

Mr. LESAGE: I only want to make a remark. It is not a question. I was wondering if the steering committee could not look into the usefulness of investigating certain flour companies. That is all.

The VICE CHAIRMAN: All right.

Mr. FLEMING: Into what?

The VICE CHAIRMAN: Mr. Lesage directs the attention of the steering committee to the possible usefulness of an examination into the flour companies. Mr. Arsenaault will see that is brought before the steering committee.

Mr. JOHNSTON: I think I made the same request the other day, and I think the chairman then indicated that counsel had it under consideration.

The VICE CHAIRMAN: That is right. It has been brought up before.

Mr. JOHNSTON: I want to refer to these directors for a moment. We have a list there in exhibit 41, the annual report. I should like to ask the witness if any of those directors receive any remuneration whatever from the company other than dividends?

Mr. EARWAKER: Yes, the directors of Consolidated Bakeries are paid \$1,000 a year.

Mr. JOHNSTON: All the same amount?

Mr. EARWAKER: All the same amount.

Mr. PRATT: Plus \$20 for attending a meeting.

Mr. LESAGE: Is there any attendance fee for each meeting?

Mr. EARWAKER: \$20 for any director who attends.

Mr. JOHNSTON: And no living expenses outside of that?

Mr. EARWAKER: No, sir.

Mr. JOHNSTON: That is a straight flat payment they get?

Mr. EARWAKER: Yes, sir.

Mr. JOHNSTON: In view of the fact that one of the other companies the other day was asked to submit to counsel their salaries for their officers I was wondering if this company could be asked to do the same thing.

The VICE-CHAIRMAN: I do not suppose there would be any objection to that.

Mr. EARWAKER: What is that?

The VICE-CHAIRMAN: Salaries at a certain level.

Mr. EARWAKER: I will give you the salaries now if you wish them. I do not mind your having the salaries.

Mr. JOHNSTON: I would just as soon have it on the same basis.

The VICE-CHAIRMAN: The reason it was put that way was because of something that came up at another time.

Mr. FLEMING: If the witness prefers to give it this way I do not see why he should not have the opportunity to do so. I do not approve of the other way of giving it.

The VICE-CHAIRMAN: Mr. Johnston only wanted to be completely fair with this company on account of the way it had been done in another case.

Mr. JOHNSTON: I do not want to embarrass them.

Mr. FLEMING: As one who entirely disapproved of the other method I think if the information is to be asked for it should be given here. If the witness prefers to give the figures now I think he should have that opportunity.

Mr. EARWAKER: I would certainly sooner clear it up here and now because I do not want any more expense. We have had enough now.

Mr. JOHNSTON: The only reason I asked for the information that way was that I had first asked to have it given to the committee directly and I was refused. Later it was suggested that the information should be submitted to counsel and that suggestion was carried in the committee.

The VICE-CHAIRMAN: You may go ahead and ask your question.

Mr. JOHNSTON: Well can he give us a list of the salaries and remunerations now?

Mr. EARWAKER: Of whom?

Mr. JOHNSTON: All officials who receive \$1,000 and more?

Mr. MAYBANK: Oh, not \$1,000.

Mr. EARWAKER: We have got bread salesmen making over \$4,000 a year.

Mr. JOHNSTON: I am referring to salaries in the company, and not commissions.

Mr. EARWAKER: In any particular place?

Mr. LESAGE: Well, let us say at the head office.

Mr. JOHNSTON: Yes, if you give us the salaries at the head office that will do.

Mr. EARWAKER: Mr. Pratt could give you them. I will tell you that my salary is \$15,000 a year. The first vice-president is drawing \$7,800; the second vice-president \$5,200; the secretary \$6,500; and the treasurer \$7,020.

Mr. PINARD: That covers salaries and remuneration of all sorts.

Mr. EARWAKER: There are no other fees taken except for instance if I am down here or in Montreal I charge my travelling expenses.

Mr. PINARD: Your \$1,000 is included there.

Mr. EARWAKER: It is in there. I do not take an extra \$1,000 from the company.

Mr. JOHNSTON: That includes your \$1,000 as a director.

Mr. EARWAKER: Yes.

Mr. PINARD: The only thing in addition would be the attendance fees whenever there are meetings of the board of directors.

The VICE-CHAIRMAN: Attention is drawn to page 13 showing the increase in prices to which the company has been subject. I do not know if the committee will find any occasion for questions there.

Mr. HARKNESS: Before dealing with page 13 I would like to know what the "total" means on page 9. There is indicated the year, the number of employees, and then the total.

Mr. EARWAKER: May I ask you to repeat that please?

Mr. HARKNESS: On page 9 you have got the headings "year", "number of employees", and "total". What does "total" mean?

Mr. PRATT: This chart is the weighted average showing hourly increases in wages in the manufacturing department of the employees since 1943. 1943 represents 1 hour's pay for 108 employees. The 1946 represents 1 hour's pay for 143 employees. That works out at hourly average as shown in the next column. In 1943 the number of hours per week was 54, it came down in 1944 to 48 and it is still 48. If you apply the average hourly rate against the number of hours per week it gives a weekly average wage for all the employees of that department.

Mr. MACINNIS: Before you turn to page 13 may I ask a question about page 12? It is headed "Earnings of Consolidated Bakeries of Canada Limited, excluding investment income, and before deduction of taxes".

The VICE-CHAIRMAN: That is on what page?

Mr. MACINNIS: Page 12. Can the witness indicate what the other investment income of Consolidated is?

Mr. EARWAKER: Consolidated Bakeries, sir, own investments in various stocks such as Bell Telephone, American stocks, and so on, in their portfolio and it is from those investments that we get some revenue.

Mr. MACINNIS: Would you know the amount of investment income for 1946?

Mr. PRATT: That is shown in the annual report. Dividends and interest from investments in 1946 was \$96,419.85.

Mr. FLEMING: It is the normal income from the investment of your reserves?

Mr. PRATT: Correct.

Mr. FLEMING: You are not using that reserve as a means of getting control of other companies?

Mr. EARWAKER: No, it has absolutely no bearing on that. There is no question of it whatsoever.

The VICE CHAIRMAN: Those investments are not in companies in a similar line of business.

Mr. EARWAKER: No, no.

Mr. PRATT: It is in sundry lines of business.

The VICE CHAIRMAN: As remote from your own business as victory bonds?

Mr. EARWAKER: We own some victory bonds.

The VICE CHAIRMAN: There are some victory bonds in that portfolio?

Mr. EARWAKER: Yes.

Mr. PINARD: Going to exhibit No. 41 and there is no page number here but the balance sheet shows under "assets", that your buildings, machinery, and equipment value amounts to \$5,118,770.29. The reserve for depreciation is \$3,214,673.18. Has that been approved by the business classification committee or has there been any discussion on it?

Mr. PRATT: That has been approved by the income tax department.

Mr. PINARD: Yes.

Mr. PRATT: That is approved up to the date of the last assessment and speaking from memory that was in 1942. The last assessment we had was made in 1942.

Mr. LESAGE: Your net profit for 1946 was 12½ per cent on a capital of—

Mr. PRATT: \$500,000.

Mr. LESAGE: That was the profit, but it was on a capital of approximately \$4,000,000. You made a profit of \$500,000 on \$4,000,000.

Mr. PRATT: Yes.

Mr. LESAGE: That would be 12½ per cent?

Mr. PRATT: That is close enough for us.

Mr. LESAGE: Is this before taxes?

Mr. PRATT: After taxes.

Mr. LESAGE: It is the net return.

Mr. PRATT: The net return.

Mr. LESAGE: And the amount of tax?

Mr. PRATT: \$393,953.83.

Mr. EARWAKER: I would just like to add, in answer to Mr. Lesage's questions if you will permit me to do so, Mr. Chairman, that 1946 was one of the most successful, and I guess I could say the most successful year of operation this company ever had. In that same year, 1946, the company directors set aside \$60,000 for the employees' pension fund. In addition, the directors gave the employees one week's bonus of pay which equalled \$75,000, in addition to their regular pay.

Mr. LESAGE: And that was done during the period when the price of bread was controlled and it was selling at 10 cents?

Mr. EARWAKER: Correct, absolutely, sir. We made more money that year on account of control and out of it—

Mr. JOHNSTON: You should have insisted that the control be continued.

Mr. EARWAKER: We would have been glad if it had continued until this rush period was over.

Mr. LESAGE: Of course you were paying less for everything.

Mr. EARWAKER: Yes, you just have to look at this table.

Mr. LESAGE: Yes, yes, I know.

Mr. PINARD: Again on exhibit No. 41 what is this provision for depreciation, \$148,976.23?

Mr. PRATT: That is the government approved rate on an investment of \$5,000,000 on buildings, plants, and equipment.

Mr. PINARD: The salaries you mentioned a few moments ago are included in the figure listed as \$46,583.97 for the year 1946, but all that you had to pay for lawyers fees was \$1,792.72.

Mr. FLEMING: It was not enough.

Mr. PINARD: That is what I was going to say.

Mr. EARWAKER: It will be more this year.

Mr. JOHNSTON: I am interested in the statement the witness made a moment ago about the period during which bread was under control. I think he said that they made more profit during the period when bread was under control than they did after the control was released.

Mr. EARWAKER: Our records speak for themselves.

Mr. JOHNSTON: That is true.

Mr. EARWAKER: Yes.

Mr. JOHNSTON: And do you think then, in your experience as a business man, that situation would be true with most other companies if they were run on a business basis?

Mr. EARWAKER: No, no, this is a very unusual period sir.

Mr. JOHNSTON: I am speaking of the same period.

Mr. EARWAKER: You mean other bread companies?

Mr. JOHNSTON: Yes.

Mr. LESAGE: Not the small bakeries.

Mr. JOHNSTON: No, others comparable to your own.

Mr. EARWAKER: They should have made more money in 1946.

Mr. JOHNSTON: The business generally made more money under controls, and the public got bread cheaper under controls, and you think the control would have been a good thing to have continued.

Mr. EARWAKER: Until the raw material was more settled and the labour market and everything. In other words until this condition which you see in here was more uniform.

Mr. JOHNSTON: Do you think that period has been reached?

Mr. EARWAKER: No, we do not.

Mr. JOHNSTON: It would be your opinion controls should have been kept on up to now and possibly a little further?

Mr. EARWAKER: I think I can safely say that.

Mr. LESAGE: Is it not true that small independent bakers were, in certain parts of Canada, in a very bad position during the time of control?

Mr. EARWAKER: During control?

Mr. LESAGE: Yes, but they are a little better off now? I am speaking of the small independent bakeries?

Mr. EARWAKER: I do not think so.

Mr. LESAGE: You do not think the small independent baker is a little better off?

Mr. EARWAKER: The small baker today is in a very difficult position.

Mr. LESAGE: One of them told me, not more than a week ago, that his position was a little better because of the fact control was lifted.

Mr. EARWAKER: I will make this prediction. If the large bakers and chain store operators continue to sell 10-cent bread there will be very few small bakers in this country.

Mr. LESAGE: There will be very few small bakers left.

Mr. EARWAKER: Very few left, sir.

Mr. WINTERS: What do you say about the small baker in places where there is no chain store, where bread sells at 14 cents, and where there is no delivery charge?

Mr. EARWAKER: I would ask for his figures, and perhaps I had better buy a little stock in his company.

The VICE-CHAIRMAN: The time for adjournment has come and I am sure we would desire to release these witnesses. I would like to thank you gentlemen for having come.

Mr. LESAGE: Are you sure we should release the witnesses?

The VICE-CHAIRMAN: I thought you had concluded your questioning?

Mr. PINARD: The only thing that worries me is whether some of the committee members have had enough time to examine carefully the three exhibits which were filed.

The VICE-CHAIRMAN: May I suggest that the witnesses be released on the understanding that if, upon examination, further questions should appear to be desirable, the information will be supplied. The witnesses are still of course under the control of the committee.

Mr. FLEMING: If any matter of that sort arises we can probably get the information by letter, without keeping the witnesses here. I would like to say I think we are very deeply indebted to these gentlemen for the very excellent and comprehensive tabular presentation they have made. It is very easy to follow, and I think it is the best we have had yet. If this tabular presentation were made a model for others similarly situated it would be very helpful to us.

Mr. PINARD: Yes, it is an excellent presentation but it shows a loss which perhaps surprises some of us.

The VICE-CHAIRMAN: With reference to the question of witnesses being released, I think you would agree they should be released. If some question develops where information is desired it can be submitted to the committee.

Mr. MACINNIS: Yes, I think we should release the witnesses.

Mr. EARWAKER: Thank you very much, Mr. Chairman.

Mr. DYDE: The general plan for Monday is that I propose to call Mr. Ruttan, and he will be followed by representatives of Canada Bread.

The meeting adjourned.

APPENDIX "A"

BOULANGERIE REGAL BAKERY INC., HULL, QUE.

March 1, 1948.

Hon. Mr. Martin, Chairman,
Special Committee on Prices,
Ottawa, Ont.

Dear Sir:—As requested by your Committee, please find attached the following documents:

1. 1947 financial statement of Boulangerie Regal Bakery Inc., Hull, Que.

2. Copy of agreement between the Ogilvie Flour Mills Co. Limited and Mr. Hudon, dated July 17, 1944, in accordance with which the property was conveyed to Mr. Hudon and attached to the agreement a memorandum outlining the manner in which the shares of the company have come into the possession of the Ogilvie Flour Mills Co. Limited. (Mr. Rea advises me that there has been no Deed of Sale in connection with the acquisition of the bakery by The Ogilvie Flour Mills Co. Limited in accordance with the agreement and that he believes the Committee will find that the agreement and attached memorandum will satisfactorily explain the transaction.) Will you please ensure that this copy of the agreement is returned in due course.

3. List of flour inventories, prices and discounts in 1947.

4. List of addresses of Mr. McLaughlin and Mr. Rea.

Yours very truly,

BOULANGERIE REGAL BAKERY INC.,

(Sgd.) J. LEO KELLEHER

J. Leo Kelleher

President.

MEMORANDUM

Re Agreement dated July 17, 1944 between the Ogilvie Flour Mills Co. Limited, and Omer H. Hudon.

1. In accordance with Clause 6 of the Agreement, Mr. Hudon duly incorporated and organized a Company under the name of "Boulangerie Regal Bakery, Inc.", to which he transferred the property covered by the Agreement and which Company assumed the obligations of Mr. Hudon under the Agreement.

2. In view of unfavourable operating results, Mr. Hudon relinquished his shares in Boulangerie Regal Bakery, Inc., to The Ogilvie Flour Mills Co., Limited as at November 5, 1947, in accordance with the terms of the Agreement. The shares were then registered in the name of Glenora Securities, Inc., a wholly owned subsidiary of The Ogilvie Flour Mills Co., Limited.

Agreement entered into at the City of Montreal, in the Province of Quebec, as of this 17th day of July, 1944.

By and between the Ogilvie Flour Mills Co., Limited (hereinafter called the "Transferor") a corporation duly incorporated under the laws of the Dominion of Canada having its head office in the said City of Montreal; of the first part; and, Omer H. Hudon (hereinafter called the "Transferee") of the City of Hull, in the said Province, baker; of second part.

Whereas the parties hereto are desirous of entering into the following Agreement with respect to the sale of certain bakery and residential property and equipment in the City of Hull and farm property in East Templeton belonging to the Transferor.

Now, therefore, this agreement witnesseth that the parties hereto have agreed and do hereby agree together as follows:—

1. The Transferor hereby sells and conveys to the Transferee, thereof accepting, the property (hereinafter referred to as the "sold property") described in Schedule A annexed hereto to form part thereof.

2. The Transferee shall accept the sold property in its present condition and subject to any and all active and passive servitudes affecting the same.

3. The Transferee shall be deemed to have possession of the sold property as of July 17, 1944, and shall assume all taxes, assessments and rates payable in respect thereof and from said date.

4. As consideration for said sale the Transferee shall pay to the Transferor at its office in the said City of Montreal the sum of \$95,000 in the manner following:—

(a) \$75,000 on the 17th day of July, 1950, with interest thereon at the rate of 3 per cent per annum for the first three years and at the rate of 4 per cent per annum for the remaining three years, said interest to be payable semi-annually on the 17th days of January and July in each year, the first instalment whereof shall become payable on January 17, 1945, with interest on all overdue instalments at the same rate, compounded semi-annually, said sum of \$75,000 and interest as aforesaid to be secured by vendor's privilege and hypothec upon the sold property and to be further secured by a resolute condition in or substantially in the form (without reference to the pledged shares therein mentioned) of that contained in clause 9 hereof. In reduction of said sum of \$75,000 the Transferee shall pay from time to time such amounts as his financial condition permits but, in any event, shall pay at the end of each fiscal year of the bakery business carried on in the sold property an amount at least equal to the amount of depreciation earned in respect of said business and the sold property in accordance with income tax rates except to the extent that any portion of such depreciation is, with the Transferor's previous written consent, applied to and used for replacements or capital expenditures; and

(b) \$20,000 in and by consecutive weekly instalments of not less than \$50 each payable on the last day of each calendar week, the first payment whereof became due on July 22, 1944, and continuing weekly thereafter, plus amounts equal to 50 per cent of any and all dividends which may become payable (during any such week) upon the outstanding shares of the capital stock of Regal Bakery Inc. hereinafter mentioned and the Transferee shall concurrently herewith deliver to the Transferor an irrevocable order addressed to said Regal Bakery Inc. for payment to the Transferor of said percentage of dividends, said sum of \$20,000 not to bear interest prior to maturity but all instalments unpaid at maturity shall bear interest at the rate of 5 per cent per annum from maturity until date of payment.

Failure to pay any instalment of principal or interest at maturity shall, at the option of the Transferor, render exigible the whole purchase price of \$95,000, or the balance thereof remaining unpaid.

5. As further consideration for said sale the Transferee shall, until all his obligations hereunder have been fulfilled, cause to be used in the business to be carried on in the sold property by him or Regal Bakery Inc. or any successor, and in any other bakery business carried on, owned or controlled, directly or indirectly, by or for him or said Regal Bakery Inc. or any successor, flour purchased only from the Transferor. The Transferor agrees that the

price of the flour sold by it to the Transferee or said Regal Bakery Inc. shall not be higher than the Transferor's current price at the time of sale to other bakers in the same locality carrying on business under similar conditions.

6. The Transferee shall forthwith cause to be incorporated and organized a company under the name of REGAL BAKERY INC. or such other name as may be approved by the Transferor and shall transfer forthwith to such company the sold property and as part of the consideration for such transfer such company shall assume the obligations of the Transferee hereunder. The charter and by-laws of such company shall be subject to the prior approval of the Transferor.

7. As further security for the payment of the said purchase price of \$95,000 and interest and the fulfilment of all his other obligations hereunder, the Transferee shall pledge to the Transferor forthwith upon their issue all the shares (herein referred to as the "pledged shares") of Regal Bakery Inc. from time to time outstanding, and shall deliver forthwith to the Transferor certificates for all said shares duly endorsed in blank for transfer.

So long as the Transferee shall not have failed to fulfil his obligations hereunder and no other default shall have occurred, the Transferee shall have full power to vote said pledged shares at any and all meetings of Shareholders in such manner as he may think fit, but subject in all respects to the terms and conditions herein set forth. It is expressly agreed by the Transferee that the Transferor may at any time, if it so desires, transfer the said shares into the name of the Transferor or its nominee or nominees for the purpose of more effectually carrying out the pledge of said shares, but in such event the Transferor shall from time to time, at the request of the Transferee, grant proxies for the purpose of voting said shares at any and all meetings of Shareholders but subject as aforesaid.

8. The sale hereby contained is declared to be made upon and subject to the following terms and conditions, without which the Transferor would not have agreed to sell the sold property, namely:—

(a) No hypothecs, privileges, mortgages or liens shall be created or placed upon any of the properties of the Transferee or Regal Bakery Inc. other than hypothecs and privileges in favour of the Transferor without the Transferor's previous written consent.

(b) No change in the capital structure or the by-laws of Regal Bakery Inc. nor any issue of its capital stock shall be made without the Transferor's previous written consent.

(c) No capital expenditures shall be made by the Transferee or Regal Bakery Inc. without the Transferor's previous written consent.

(d) No capital assets shall be acquired or disposed of by the Transferee or Regal Bakery Inc. without the Transferor's previous written consent.

(e) No Directors or Officers of Regal Bakery Inc. shall be elected or appointed without the Transferor's previous written approval.

(f) The salaries or other remuneration of the Transferee and the Directors and Officers of Regal Bakery Inc. shall be subject to the Transferor's previous written approval.

(g) Copies of minutes of all meetings of Directors and Shareholders of Regal Bakery Inc. shall be delivered to the Transferor within seven days after such meetings have been held.

(h) The Transferee and/or Regal Bakery Inc. shall keep insured its buildings, machinery, ovens, equipment, stock-in-trade, goods and merchandise against loss or damage by fire to the full insurable value thereof with an insurance company or companies approved by the Transferor, with loss under such insurance made payable to the Transferor

as its interest may appear in accordance with the usual mortgage clause. The Transferee shall exhibit to the Transferor evidence of such insurance and of the payment of premiums if and when required by the Transferor.

(i) The Transferee or Regal Bakery Inc., whichever is operating said bakery business, shall prepare regular periodic reports of operations (either monthly or every five weeks' period at the Transferee's option) in such manner as may be required by the Transferor and submit copies of all such reports to the Transferor immediately upon completion thereof.

(j) The books of the Transferee or of Regal Bakery Inc., whichever is operating said bakery business, shall be audited at least once during every six months' period by auditors approved by the Transferor, and as soon as possible thereafter the Transferee or Regal Bakery Inc., as the case may be, shall submit a balance sheet, a statement of income and expenditures and such other statements and reports as the Transferor may from time to time require.

(k) The Transferor shall have the right to inspect the premises and books of the Transferee and Regal Bakery Inc. at any time at the Transferor's convenience, either by its own officers or employees, or by such other person or persons as it may appoint.

(l) Regal Bakery Inc. or any other company owning said business shall not declare nor pay any dividends on its capital stock without the Transferor's previous written consent.

(m) All officers and employees of the Transferee or Regal Bakery Inc. having authority to sign cheques or notes, to receive cash, to dispose of funds or to borrow money shall be bonded by a surety company and to an amount approved by the Transferor.

(n) The Transferee shall cause Regal Bakery Inc. to advise the Transferor in writing that it has knowledge of the pledge of its shares made pursuant hereto and to undertake that it will not permit any transfer of the pledged shares without the previous written consent of the Transferor.

(o) The Transferee shall cause Regal Bakery Inc. to advise the Transferor in writing that it will consent to any transfers of the pledged shares as and when the Transferor may from time to time request.

(p) The foregoing provisions shall be binding upon the Transferee whether or not he remains the owner of the pledged shares, and no transfer of the rights of the Transferee in the pledged shares or under this Agreement shall be made without the previous written consent of the Transferor.

9. In the event that the Transferee shall fail to fulfil any of his obligations hereunder or any other default shall be made under this Agreement, or in the event of the Transferee's death prior to payment in full of said purchase price in principal and interest and of his heirs not making the election hereinafter set forth, or in the event of the Transferee ceasing (other than by reason of death) to be employed as Manager of Regal Bakery Inc. and ceasing to receive remuneration of at least \$100 per week for services rendered in some other capacity, said purchase price or balance thereof then remaining unpaid, and all interest thereon, shall, at the Transferor's option, become immediately due and payable and the Transferor may, at its option, dissolve this sale, and, in the event of such dissolution, the sold property (with all improvements or additions thereto) and, at the Transferor's option, the pledged shares, shall *ipso facto* vest in the Transferor in absolute ownership, free and clear of all encumbrances, and all moneys paid to the Transferor hereunder shall be retained by it without indemnity or compensation of any kind to the Transferee or other party; provided always that the Transferor may waive the consequences of any such event, but no such waiver shall affect the rights of the Transferor in respect of the happening of any other or subsequent event.

In the event of the Transferee's death prior to payment in full of said purchase price, his heirs shall have the right, exercisable only within a period of 30 days after his death, to elect to carry out his obligations hereunder, such election to be exercised by giving notice to that effect, within the aforesaid period of 30 days, to the Transferor by letter addressed to it at its head office in the said city of Montreal and sent by registered mail.

10. Any deed or deeds of sale executed in favour of the Transferee to evidence the sale of the sold property shall contain all or such of the provisions, conditions and stipulations of this Agreement, and such other provisions, conditions and stipulations as the Transferor may require.

11. The mere lapse of time for performing any of the Transferee's obligations hereunder shall put the Transferee in default, no notice or demand being necessary for that purpose.

12. No right hereby conferred upon or reserved to the Transferor is intended to be exclusive of any other right, but each such right shall be cumulative and shall be in addition to every other right hereunder and to every other right which may now or hereafter exist by law or statute.

Subject to the provisions of clauses 7 (n) and 9 hereof, the rights and obligations of the parties hereunder shall enure to the benefit of and be binding upon the parties herto and their respective heirs, successors or assigns.

In witness whereof the parties hereto have executed this Agreement at the place and on the date first hereinbefore written.

Witnesses: THE OGILVIE FLOUR MILLS COMPANY, LIMITED

By (Sgd) G. A. Morris,
Vice-President & General Manager.

and (Sgd) J. C. McLaughlin
Treasurer.

(Sgd) D. L. Blaise

(Sgd) F. T. Rea

(Sgd) Omer H. Hudon

REGAL BAKERY INCORPORATED, HULL, QUE.

List of Flour Inventories at the End of Each Period in 1947

December 31, 1946.....	\$1,703.47
February 8, 1947.....	1,909.11
March 15 1947.....	869.33
April 19, 1947.....	339.13
May 24, 1947.....	915.72
July 5, 1947.....	418.42
August 9, 1947.....	442.06
September 13, 1947.....	387.32
October 18, 1947.....	845.97
November 8, 1947.....	641.53
December 6, 1947.....	679.05
December 31, 1947.....	854.21

Inventories. These prices were taken at cost or market whichever was lower.

Flour Prices and Discounts from Ogilvie Flour Mills in 1947

From	To	Bbl. Price (Carloads)	Bbl. Price (As required)	Bbl. Discount (On sight draft)
Jan.	May 8.....	\$4.25	\$4.35	10 cents
Jan.	Sept. 12.....	....	\$4.35	10 cents
On Sept.	18.....	....	\$8.40	10 cents
On Nov.	24.....	....	\$8.30	10 cents
On Nov.	26.....	....	\$8.25	10 cents
On Dec.	19.....	....	\$8.10	10 cents

Note. We find that one carload invoice, dated April 10, 1947, was extended at \$4.05 less 10 cents bbl. sight draft.

BOULANGERIE REGAL BAKERY INC.,

(Sgd.) J. LEO KELLEHER.

J. Leo Kelleher,
President.

BOULANGERIE REGAL BAKERY INC., HULL, QUE.

List of Addresses.

Mr. J. C. McLaughlin, 629 Davaar Ave., Outremont, Que.
Mr. F. T. Rea, 3445 Stanley St., Montreal, Que.

BOULANGERIE REGAL BAKERY INC.,

(Sgd.) J. LEO KELLEHER.

J. Leo Kelleher,
President.

EXHIBIT No. 3

APPENDIX "B"

1947 FINANCIAL STATEMENT OF BOULANGERIE REGAL BAKERY, INCORPORATED
66 ST. BERNARD STREET, HULL, QUE.

Mr. J. Leo Kelleher, President,
Boulangerie Regal Bakery Inc.,
66 St. Bernard Street,
Hull, Que.

Dear Sir,

Pursuant to engagement, I have audited the books and accounts of Boulangerie Regal Bakery, Incorporated, for the year ended December 31, 1947.

I submit herewith my report showing the results of operations and the financial condition of the company as at December 31, 1947, in the following:—

Exhibit I—Balance Sheet as at December 31, 1947.

Exhibit II—Profit and Loss Statement for the year ended December 31, 1947.

Exhibit III—Schedule of Fixed Assets and Reserves for Depreciation as on December 31, 1947.

After providing for all revenues and all known expenses applicable to the period under review including depreciation on Fixed Assets, there is a final net loss shown of \$34,188.35.

I wish to express my appreciation for the courtesies extended to me by your organization during the course of the audit.

Yours Respectfully,

SYLVIO MILOTTE,
Accredited Public Accountant.

BOULANGERIE REGAL BAKERY, INCORPORATED

66 ST. BERNARD STREET, HULL, QUE.

BALANCE SHEET AS ON DECEMBER 31, 1947

EXHIBIT 1

ASSETS

CURRENT ASSETS

Cash on hand		\$	125.00
Cash in Bank	\$ 4,368.84		
Less—Outstanding cheques	1,080.42		
			3,288.42

Accounts Receivable—

Salesmen and employees	223.87
Trade	8,542.03

8,765.90

Less—Reserves for bad debts	1,066.99
-----------------------------------	----------

7,698.91

Inventory—Materials

3,024.80

—Finished goods

191.47

\$ 14,328.60

DEFERRED CHARGES

Fire insurance	1,650.00
Taxes	382.00
Stationery on hand	200.00

2,232.00

FIXED ASSETS

Cost—as per Exhibit "III"	108,714.61
Less—Reserve for depreciation	17,722.03

90,992.58

INTANGIBLE ASSETS

Goodwill

4,553.78

PROFIT AND LOSS ACCOUNT

Dec. 31, 1946—Debit Balance forward	19,390.96
Add—Net loss during 1947—Exhibit "II"	34,188.35

53,579.31

Less—Life insurance refund—O.H.H.	574.73
--	--------

Dec. 31, 1947—Debit Balance	
-----------------------------------	--

53,004.58

\$ 165,111.54

EXHIBIT I

BOULANGERIE REGAL BAKERY, INCORPORATED
66 ST. BERNARD STREET, HULL, QUE.
BALANCE SHEET AS ON DECEMBER 31, 1947

LIABILITIES

CURRENT LIABILITIES

Accounts payable—Trade	\$ 7,013.06	
Tickets liability	250.00	
Accrued wages	615.00	
O. H. Hudon—Balance	65.28	
		<u>7,943.34</u>

FIXED LIABILITIES

Ogilvie Flour Mills	46,170.82
---------------------------	-----------

MORTGAGE PAYABLE

Ogilvie Flour Mills	98,010.22	
Accrued interest on mortgage	1,487.16	
		<u>99,497.38</u>

CAPITAL ACCOUNT

Capital stock issued	11,500.00
	<u>\$ 165,111.54</u>

Auditor's Certificate

I have examined the books and records of Boulangerie Regal Bakery, Incorporated, for the year ended December 31, 1947, and report that I have obtained all the information and explanations I have required.

In my opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs, as on December 31, 1947, to the best of my knowledge and belief, the explanations given to me and as shown by the books of the company.

SYLVIO MILOTTE,

Accredited Public Accountant.

EXHIBIT II

BOULANGERIE REGAL BAKERY, INCORPORATED

66 St. Bernard Street, Hull, Que.

PROFIT AND LOSS STATEMENT

For the Year ended December 31, 1947

SALES

Bread	\$ 115,475.76	
Cakes	78,538.65	
Sundries	1,701.62	\$ 195,716.03

Deduct—

Stale bread	1,350.36	
Stale cakes	1,830.17	
Discounts—Bread	11,193.48	
Discounts—Cakes	12,955.27	27,329.28

Total Net sales		\$ 168,386.75
-----------------------	--	---------------

FINISHED GOODS PURCHASED

Cakes	8,539.49
-------------	----------

MATERIALS USED

Bread—Flour	30,125.70	
Other materials	21,388.76	
Cake ingredients	22,665.29	
		<u>74,179.75</u>

MANUFACTURING EXPENSES

Direct Labour—Bread	11,562.63		
Cakes	8,140.31		
Fuel—Bread	3,273.47		
Cakes	690.50		
Insurance—fire, etc.	2,362.36		
Light and power	1,349.61		
Taxes and licences	1,467.18		
Plant maintenance	3,150.11		
Accessories	112.62		
Interest on mortgage	2,798.47		
Manager's salary	4,045.92		
Rent—305 McKay	1,075.00		
Workmen's compensation	1,276.04		
Accident and sickness insurance	243.72		
Depreciation—Exhibit "III"			
Buildings	1,376.25		
Machinery and equipment	2,492.49		
Heating system	300.00		
Cake plant improvements	1,308.00	47,024.68	129,743.92

GROSS PROFIT FROM SALES: (Carried forward) \$ 38,642.83

GROSS PROFIT FROM SALES—(Brought forward) \$ 38,642.83

SELLING EXPENSES

Salesmen's wages	\$ 24,527.63		
Other wages	2,043.79		
Horse feed	2,386.92		
Harness repairs	485.87		
Horses	2,091.00		
Wagons repairs	633.11		
Truck—Repairs	6,098.18		
Gas and oil	2,290.00		
Licences	240.95		
Advertising	1,147.46		
Wrapping and shipping	13,004.65		
Bad debts	\$ 12,292.55		
Less—Reserve Dec. 31/46	4,968.35	7,324.20	
New reserve for bad debts		1,066.99	
Loss on sale of trucks		644.10	
Depreciation—Delivery equipment		1,273.50	
		\$ 65,258.35	

OFFICE EXPENSES

Office salaries	4,005.27		
Auditor's fees	700.00		
Office expense	1,312.28		
Printing and stationery	699.32		
Bank charges	279.60		
Legal fees	150.45		
Postage	187.09		
Telephone and telegrams	393.64		
Travelling	153.35		
Unemployment insurance	526.04		
Collection costs	73.92		
Depreciation—Furniture and fixtures	23.75	8,505.21	73,763.56

NET LOSS FROM OPERATIONS 35,120.73

 Deduct—Rentals received \$ 900.00

 Bad debts recovered 32.38

FINAL NET LOSS during the year \$ 34,188.35

EXHIBIT III

BOULANGERIE REGAL BAKERY, INCORPORATED
66 ST. BERNARD STREET, HULL, QUE.
SCHEDULE OF FIXED ASSETS AND RESERVES FOR DEPRECIATION
AS ON DECEMBER 31, 1947

	Cost	Reserves for Depreciation	
		Balance Dec. 31/46	1947 Additions
Land	\$ 12,500.00		
Buildings	55,050.00	\$ 3,361.22	\$ 1,376.25
Machinery and equipment	\$26,916.21		\$ 4,737.47
Less—Equipment sold ...	1,991.28		
Heating system	24,924.93	5,864.30	2,492.49
Wagons and sleighs	6,000.00	732.69	300.00
Harness	2,876.68	1,154.68	431.50
Horses	500.00	208.17	100.00
Trucks—	450.00	....	....
1947 International	1,502.00	....	54.15
1947 International	1,508.00	....	54.75
1946 International	1,465.50	366.38	293.10
1939 International	200.00	....	140.00
1940 Chevrolet	500.00	255.30	100.00
1937 G.M.C.	500.00	255.30	100.00
Office equipment	237.50	58.00	23.75
	\$ 108,714.61	\$ 12,256.04	\$ 5,465.99
			\$ 17,722.03

EXHIBIT 40

APPENDIX "C"

CONSOLIDATED BAKERIES OF CANADA LIMITED
(Incorporated under the Laws of the Dominion of Canada)

AND ITS SUBSIDIARY COMPANIES

ANNUAL REPORT

FOR THE YEAR ENDED 29TH DECEMBER, 1945

CONSOLIDATED BAKERIES OF CANADA LIMITED

DIRECTORS AND OFFICERS

Directors—G. A. Morris, Chairman of the Board; Hon. Chas. A. Dunning, Ross H. McMaster, A. Earwaker, H. J. Mero, A. St. Clair Gordon, F. K. Morrow, R. A. Laidlaw, R. L. Warren, Beaudry Leman, Morris W. Wilson.

Officers—President, A. Earwaker; Vice-Presidents, T. Bignell, T. M. Dutton; Secretary, H. O. Neale; Treasurer, H. S. Pratt.

Transfer Agent—Toronto General Trusts Corp., Toronto.

Registrar—National Trust Co. Limited, Toronto.

DIRECTORS' REPORT FOR THE YEAR ENDED DECEMBER 29, 1945

To the Shareholders of Consolidated Bakeries of Canada Limited

Your Directors present herewith the Balance Sheet and Statements of Profit and Loss and Earned Surplus for the year ended December 29, 1945, certified by your auditors, Messrs. Clarkson, Gordon, Dilworth & Nash.

Profits for the year from all sources, after providing for administration, maintenance and depreciation, amounted to \$798,943.66 which figure included non-recurring profits of \$62,318.42 realized from the sale of certain securities.

Provision for Income and Excess Profits Taxes required the setting aside of \$415,654.02, the refundable portion of which amounted to \$40,800.00; therefore the net amount to be deducted from Profit and Loss was \$374,854.02.

Net Profits transferred to Earned Surplus Account totalled \$424,089.64, being the equivalent of \$1.25 per share on the 339,443 shares of issued Capital Stock.

There was also added to Earned Surplus Account profits realized on securities sold in prior years amounting to \$20,519.76, which profits had hitherto been held in the Investment Reserve Account.

Out of the above profits four (4) quarterly dividends of twenty cents (20c) per share were paid or reserved for payment on the outstanding Capital Stock, making a total distribution to Shareholders of Eighty Cents (80c) per share for the year.

Due to substantial improvement in the market value of the Company's Investments it was felt that the Investment Reserve which was created in 1933 was no longer required in full. Accordingly the sum of \$182,911.77 was transferred to Capital Surplus Account and used to write down the item of Goodwill to the nominal figure of \$1.00.

While this reduction in Reserve had the effect of increasing the Balance Sheet value of the Investments still held in the portfolio, it is interesting to note that as at the end of the year under review the market values exceeded the book values by substantially greater margin than was the case at the end of the previous year.

Sales of the Company's products showed an encouraging gain over the previous year, but shortages of essential supplies continued to make it difficult to satisfy all the requirements of our customers.

The usual provision for depreciation was made out of last year's earnings and the Company's properties were maintained in as good condition as labour, material and equipment shortages permitted.

Plans for the expansion and modernization of the Company's plants and equipment are well advanced and construction is now proceeding with the new bakery building at London, Ont. Other projects will be commenced shortly and new machinery and equipment is being obtained and installed as rapidly as possible under existing conditions.

We welcome to our councils two new Directors, who joined the Board within the last twelve months—Mr. A. St. Clair Gordon, Wallaceburg, Ont., and Mr. H. J. Mero, Walkerville, Ont.

Your Directors wish to express their appreciation of the loyal and efficient services of the officers, staff and employees of the Company during the year.

Submitted on behalf of the Board,

A. EARWAKER,
President.

Montreal, Que., March 30, 1946.

CONSOLIDATED BAKERIES OF CANADA LIMITED

(Incorporated under the Dominion Companies Act)

and its subsidiaries

Wonder Bakeries Limited, Hamilton Bakeries Limited and Dixon Dairy Bread Limited
Consolidated Balance Sheet, 29th December, 1945

ASSETS

Current:

Cash in banks and on hand	\$ 357,020.27	
Investments in stocks and bonds less reserve (quoted market value \$2,512,700)	1,565,010.99	
Trade and sundry accounts receivable, less reserve for doubtful accounts	228,073.75	
Inventories of materials, supplies and finished goods—as determined and certified by the management and valued at the lower of cost or market, less reserve...	611,078.10	
Total current assets		\$2,761,183.11

Deferred and Sundry:

Life insurance—cash surrender value	\$ 17,840.00	
Prepaid insurance, taxes, licences and other expenses.....	54,840.00	
Refundable portion of taxes on income	135,009.84	
		206,927.07

Fixed:

Land, buildings, machinery and equipment as written down to a revaluation by officials of the company at 1st January, 1933, with subsequent additions at cost:		
Land less profit on disposals	\$ 538,060.06	
Buildings, machinery and equipment \$4,606,717.13		
Less reserve for depreciation ... 3,191,273.01	1,415,444.12	
		1,953,504.18
Goodwill		1.00
		<u>\$4,921,615.36</u>

LIABILITIES

Current:

Bank advances re purchases of employees' Victory Loan bonds (secured)	\$200,603.40	
Less due from employees on purchase of above bonds	197,315.19	
	\$ 3,288.21	
Dividend payable 2nd January, 1946.....	67,888.60	
Accounts payable and accrued charges	396,249.60	
Reserve for Dominion income and excess profits taxes less instalments paid on account	234,674.21	
Salesmen's and drivers' deposits.....	68,730.44	
Reserve for unredeemed tickets	8,722.74	
Total current liabilities		\$ 779,553.80
Reserve for contingencies		50,000.00

Capital and Surplus:

Capital authorized—		
500,000 ordinary shares of no par value		
Capital issued—		
339,443 ordinary shares of which 3 shares, valued at \$10 per share, were issued during the year 1945 on conversion of 3 preferred management shares	\$3,499,430.00	
	592,631.56	
Earned surplus		4,092,061.56
		<u>\$4,921,615.36</u>

Approved on behalf of the board.

G. A. MORRIS, *director*.A. EARWAKER, *director*.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the above consolidated balance sheet of Consolidated Bakeries of Canada Limited and its wholly-owned subsidiaries, Wonder Bakeries Limited, Hamilton Bakeries Limited and Dixon Dairy Bread Limited as at 29th December, 1945 and of the related statements of consolidated profit and loss, earned surplus and capital surplus for the year ended on that date. In connection therewith we examined or tested accounting records of the head office and the different branches without making a detailed audit of all the transactions. We also made a general review of the accounting methods and of the operating and income accounts for the year, and obtained all the information and explanation we required from the companies' officers and employees.

We report that in our opinion the above balance sheet and related statements of profit and loss, earned surplus and capital surplus have been drawn up so as to exhibit a true and correct view of state of the combined companies' affairs at 29th December, 1945 and of the results of their operations for the year ended on that date, according to the best of our information and the explanations given us and as shown by the books.

Toronto, Canada, 18th March, 1946.

Clarkson, Gordon, Dilworth & Nash, *Chartered Accountants.*

CONSOLIDATED BAKERIES OF CANADA LIMITED
and its subsidiaries

Wonder Bakeries Limited, Hamilton Bakeries Limited and Dixon Dairy Bread Limited

Consolidated Statement of Profit and Loss for the Year Ended 29th December, 1945		
Operating profit for year before providing for depreciation, income and excess profits taxes, executive salaries, directors' fees and solicitors' fees		\$ 822,315.1
Deduct:		
Provision for depreciation	\$132,036.38	
Executive salaries	47,183.31	
Directors' fees	1,050.00	
Solicitors' fees	428.79	
		<u>180,698.4</u>
Operating profit for the year before provision for taxes on income		\$ 641,616.6
Other Income:		
Dividends and interest from investments	\$ 91,157.10	
Rents and sundry income	3,851.50	
Net profit on sale of securities	62,318.42	
		<u>157,327.0</u>
Profit for the year before provision for taxes on income		\$ 798,943.6
Deduct:		
Provision for income and excess profits taxes	\$415,654.02	
Less refundable portion thereof	40,800.00	
		<u>374,854.0</u>
Net profit for the year transferred to earned surplus		\$ 424,089.6

STATEMENT OF EARNED SURPLUS

Balance 30th December, 1944	\$ 419,576.5
Profits realized on the sale of investments in previous years and credited at the time to reserve for investments	20,519.76
Net profit as above	<u>424,089.64</u>
	\$ 864,185.96
Dividends:	
Paid 2nd April, 1945	—20c. per share..... \$67,888.60
Paid 2nd July, 1945	—20c. per share..... 67,888.60
Paid 1st October, 1945	—20c. per share..... 67,888.60
Payable 2nd January, 1946	—20c. per share..... 67,888.60
	<u>271,554.40</u>
Balance 29th December, 1945	\$ 592,631.56

STATEMENT OF CAPITAL SURPLUS

Transfer of portion of investment reserve created 1st January, 1933 which is no longer required	\$ 182,911.77
Less amount written off goodwill	<u>182,911.77</u>
Balance 29th December, 1945	Nil

Where Wonder Bread and Cakes are Made: 183 Dovercourt Road, Toronto; 734 King Street East, Hamilton; 337 Salter Street, Windsor; Carlton Avenue, London; Christina and Davis Streets, Sarnia; Princess Street, St. Thomas; 70 Patteson Avenue, Chatham; 225 Stewart Street, Peterborough; Prince Albert and Somerville Avenues, Westmount.

Where Ideal Bread and Cakes are Made: 1244 City Hall Avenue, Montreal.

Where Mammy's Bread and Cakes are Made: 24 Sanford Avenue North, Hamilton.

Some of Our Leading Products: Wonder Fresh Milk Bread; Wonder Cracked Wheat Bread; Wonder Cakes; Hostess Cakes; Ideal Bread; Ideal Cakes.

APPENDIX "D"

EXHIBIT 41

1946 Annual Report

CONSOLIDATED BAKERIES OF CANADA LIMITED

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BAKERIES OF CANADA LIMITED

AND ITS SUBSIDIARY COMPANIES

Directors: Hon. Chas. A. Dunning, P.C., A. Earwaker, A. St. Clair Gordon, R. A. Laidlaw, Beaudry Leman, Ross H. McMaster, H. J. Mero, G. A. Morris, F. K. Morrow, R. L. Warren.

Officers: Chairman of the Board, G. A. Morris; President and General Manager, A. Earwaker; Vice-Presidents, T. Bignell, T. M. Dutton; Secretary, H. O. Neale; Treasurer, H. S. Pratt; Assistant General Managers, C. H. Highway, J. C. Singleton; Assistant to the President, W. E. Heal.

Transfer Agent: Toronto General Trusts Corporation, Toronto.

Registrar: National Trust Company Limited, Toronto.

DIRECTOR'S REPORT FOR THE YEAR ENDED DECEMBER 28, 1946

To the Shareholders of Consolidated Bakeries of Canada Limited

Your directors present herewith the balance sheet and statements of profit and loss and earned surplus for the year ended December 28, 1946, certified by your auditors, Messrs. Clarkson, Gordon & Co.

Profits for the year from all sources, after providing for administration, maintenance and depreciation, amounted to \$892,998.05, which figure included profits of \$29,291.38 realized from the sale of certain securities.

Provision for income and excess profits taxes required the setting aside of \$393,953.83, leaving net profits to be transferred to earned surplus account totalling \$499,044.22, being the equivalent of \$1.47 per share of issued capital stock.

Out of these profits four (4) quarterly dividends of twenty cents (20c) per share were paid or reserved for payment making a total distribution to shareholders of eighty cents (80c) per share for the year.

The sale of the securities hereinabove referred to not only resulted in the realization of profits of \$29,291.38 as shown, but also resulted in the recovery of investment reserves—created in 1933—to the extent of \$53,594.42.

Because these reserves were set up out of capital no portion of the recovery could be credited to profit and loss account.

The amount in question was, therefore, treated as capital surplus and used to write down the book value of land, forming part of the fixed assets.

Sales volume of the company's products again showed an encouraging gain over the previous year, but shortages of essential supplies such as fats, sugar and dried fruits made it increasingly difficult to meet the demand for our high quality goods.

The usual provision for depreciation was made out of last year's earnings and the company's properties were maintained in as good condition as labour, material and equipment shortages permitted.

The company's new bakery at London, Ont., is nearing completion. Some machinery has still to be received, but delivery dates are too uncertain under present conditions to make any statement as to when the plant will be finished and in full production.

At St. Catharines and Cornwall, Ont., new distributing depots are being constructed and will be ready for occupation on or about June 1, 1947.

Your Directors have had under consideration for some time the desirability of inaugurating a Pension Plan for the benefit of our employees and arrangements have been made to put such a Plan into effect during the current year.

Both the Company and its employees will contribute towards the cost of this Plan, which will provide retirement incomes based on length of service and amount of earnings for male employees over 65 years of age and female employees over 60 years of age.

During the past year each employee was asked to make a special effort to cut down avoidable waste and to show a saving in operating costs. The management is happy to say there was a generous response to this appeal and attribute thereto much of the improvement in the year's operating results.

Such savings play an important part in the net profits of the Company, and the Directors, to show their appreciation of the contribution to last year's earnings and to encourage further savings, set aside the sum of Seventy-Five Thousand Dollars (\$75,000) to be used during 1947, for the benefit of those employees who completed a full year of service during 1946, either to reduce the cost to participating employees of their share of the joint payments to the Pension Fund, or to provide retiring allowances for non-participating employees.

Whether such special distributions can be made in future years will depend entirely upon the annual profits of the Company, but it is hoped the results will justify a continuation of this manner of rewarding meritorious co-operation.

It is with a deep sense of loss that we record the passing of the late Mr. Morris W. Wilson who had been a Director of this Company for many years.

Your Directors are pleased to acknowledge the loyal and efficient services of the officers, staff and employees of the Company during the year.

Submitted on behalf of the Board,

G. A. MORRIS,
Chairman of the Board.

A. EARWAKER,
President.

Montreal, Que.
April 3, 1947.

CONSOLIDATED BAKERIES OF CANADA LIMITED

(Incorporated under the Dominion Companies Act)
and its subsidiaries*Wonder Bakeries Limited, Hamilton Bakeries Limited and Dixon Dairy Bread Limited*

Consolidated Balance Sheet, December 28, 1946

ASSETS

<i>Current:</i>	
Cash in banks and on hand.....	\$ 386,107.02
Investments in stocks and bonds less reserve (quoted market value \$2,205,595)	1,456,309.10
Trade and sundry accounts receivable, less reserve for doubtful accounts	205,891.98
Due from employees for pension plan contributions and for purchase of Canada Savings bonds	39,260.00
Inventories of materials, supplies and finished goods—as determined and certified by the management and valued at the lower cost or market.....	613,742.01
Total current assets.....	\$2,701,310.11
<i>Deferred and Sundry:</i>	
Life insurance—cash surrender value.....	\$ 19,915.00
Prepaid insurance, taxes, licences and other expenses..	73,707.42
Due from employees for mortgages and other advances	12,042.99
Refundable portion of taxes on income.....	135,009.84
	240,675.25
<i>Fixed:</i>	
Land, buildings, machinery and equipment as written down to a revaluation by officials of the company at January 1, 1933, with subsequent additions at cost:	
Land less amounts written off.....	\$ 604,355.19
Buildings, machinery and equipment	\$5,118,770.29
Less reserve for depreciation..	3,214,673.18
	1,904,097.11
Goodwill	2,508,452.30
	1.00
	\$5,450,438.66

CONSOLIDATED BAKERIES OF CANADA LIMITED

(Incorporated under the Dominion Companies Act)
and its subsidiaries*Wonder Bakeries Limited, Hamilton Bakeries Limited and Dixon Dairy Bread Limited*

Consolidated Balance Sheet, December 28, 1946

LIABILITIES

<i>Current:</i>	
Accounts payable and accrued charges.....	\$ 603,940.60
Dividend payable January 2, 1947	67,888.60
Provision for taxes on income.....	224,745.45
Salesmen's and drivers' deposits	84,312.63
Total current liabilities	\$ 980,887.28
<i>Notes Payable—2½% maturing July 1, 1949</i>	
Authorized	\$1,000,000.00
Issued	100,000.00
Reserve for Contingencies	50,000.00
<i>Capital:</i>	
Authorized—500,000 ordinary shares of no par value....	
Issued —339,443 shares	\$3,499,430.00
Unrealized Surplus	820,121.38
	4,319,551.38
<i>Other:</i>	
Commitments outstanding under contracts for construction in progress and for additional equipment amount to \$420,000.	
	\$5,450,438.66
Approved on behalf of the Board.	

G. A. MORRIS, *Director*A. EARWAKER, *Director*

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the above consolidated balance sheet of Consolidated Bakeries of Canada Limited and its wholly-owned subsidiaries, Wonder Bakeries Limited, Hamilton Bakeries Limited and Dixon Dairy Bread Limited as at December 28, 1946, and of the related statements of consolidated profit and loss, earned surplus and capital surplus for the year ended on that date. In connection therewith we examined or tested accounting records of the head office and the different branches without making a detailed audit of all their transactions. We also made a general review of the accounting methods and of the operating and income accounts for the year, and obtained all the information and explanation we required from the companies' officers and employees.

We report that in our opinion the above balance sheet and related statements of consolidated profit and loss, earned surplus and capital surplus have been drawn up so as to exhibit a true and correct view of the state of the combined companies' affairs at December 28, 1946, and of the results of their operations for the year ended on that date, according to the best of our information and the explanations given us and as shown by the books.

CLARKSON, GORDON & CO.,

Chartered Accountants.

Toronto, Canada,
April 1, 1947.

CONSOLIDATED BAKERIES OF CANADA LIMITED
and its subsidiaries

Wonder Bakeries Limited, Hamilton Bakeries Limited and Dixon Dairy Bread Limited

STATEMENT OF CONSOLIDATED PROFIT AND LOSS
For the Year ended December 28, 1946

Operating profit for the year before providing for depreciation, executive salaries, directors' fees, solicitors' fees, interest on note payable and income and excess profits taxes	\$ 962,569.97
--	---------------

Deduct:

Provision for depreciation	\$ 148,976.23	
Executive salaries	46,583.97	
Directors' fees	1,000.00	
Solicitors' fees	1,792.72	
Interest on note payable	1,029.45	
		199,382.37

Operating profit for the year before provision for taxes on income	\$ 763,187.60
--	---------------

Other Income:

Dividends and interest from investments.....	\$ 96,419.85	
Net profit on sale of securities	29,291.38	
Rents and sundry income.....	4,099.22	
		129,810.45

Profit for the year before provision for taxes on income....	\$ 892,998.05
Deduct provision for income and excess profits taxes.....	393,953.83

Net profit for the year transferred to earned surplus....	\$ 499,044.22
---	---------------

STATEMENT OF CONSOLIDATED EARNED SURPLUS

Balance December 29, 1945	\$ 592,631.56
Net profit for the year as above	499,044.22
	\$1,091,675.78

Dividends:

Paid April 1, 1946—20c. per share.....	\$ 67,888.60	
Paid July 1, 1946—20c. per share.....	67,888.60	
Paid October 1, 1946—20c. per share.....	67,888.60	
Payable January 2, 1947—20c. per share.....	67,888.60	
		\$ 271,554.40

Balance December 28, 1946	\$ 820,121.38
---------------------------------	---------------

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS

Transfer of portion of investment reserve created January 1, 1933, which was recovered through the sale of securities during the year	\$ 53,594.42
Less amount applied in reduction of the book value of land	53,594.42
Balance December 28, 1946	Nil

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

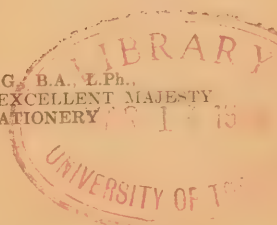
No. 19

MONDAY, MARCH 8, 1948

WITNESSES:

- Mr. Charles M. Ruttan, Director, Ontario Bakers' Association Toronto;
Mr. A. V. Loftus, President and General Manager, Canada Bread Company Limited, Toronto;
Mr. W. S. Antliff, Assistant General Manager and Treasurer, Canada Bread Company Limited, Toronto.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



MINUTES OF PROCEEDINGS

MONDAY, March 8, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

The Chairman read the following telegram dated March 5, addressed to him by John B. Parent, Dionne Ltd., Montreal, viz:

"Due to a reduction of $\frac{1}{2}$ cent on our cost of bread and also to the request of your Committee we have changed our selling price on bread to-day from fourteen to thirteen cents in all our stores."

Counsel filed,—

Exhibit No. 43—Statement by Dominion Bureau of Statistics showing whole-sale price index sub-group weights *re* fish.

Mr. Charles M. Ruttan, Director, Ontario Bakers' Association, Toronto, was called, sworn and examined.

Witness retired.

Mr. A. V. Loftus, President and General Manager, Canada Bread Company Limited, Toronto, was called, sworn and examined. He filed,—

Exhibit No. 44—Copy of brief and of various other statements submitted or information of the Committee. (*Printed in afternoon Minutes of Evidence*).

At 1.00 p.m. witness retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudry, Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Maybank, Mayhew, McCubbin, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. Loftus was recalled and, at the same time, Mr. W. S. Antliff, Assistant General Manager and Treasurer, Canada Bread Company Limited, Toronto, was called and sworn, and both were examined.

Mr. Loftus filed,—

Exhibit No. 45—Annual Reports of Canada Bread Company Limited for the years 1938 to 1947 inclusive. (*1947 Report printed as an Appendix to this day's proceedings*).

At 6.00 p.m. witnesses retired and the Committee adjourned until Tuesday, March 9, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MARCH 8, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will come to order, please.

We are glad to see Mr. McCubbin back following his illness and trust that he will be here now continually. We are glad to have him back.

Mr. McCUBBIN: Thank you.

The CHAIRMAN: I have a wire here from Dionne Limited, John B. Parent: reading as follows:

March 5, 1948,
10.43 a.m.

Montreal, Quebec

Hon. Paul Martin,
Special Committee on Prices, Dominion Government,
Ottawa, Ontario, Care TC

Due to a reduction of half cent on our cost of bread and also to the request of your committee we have changed our selling price on bread today from fourteen to thirteen cents in all our stores.

DIONNE LIMITED,
JOHN B. PARENT.

Mr. IRVINE: Who said we were not reducing prices?

The CHAIRMAN: I am circulating a mimeographed proposed questionnaire proposed by Mr. Beaudry for the scrutiny of each member of the committee. It is a suggested questionnaire for witnesses when we come to butter, but the thought is that members of the committee might have other questions which they think we should have some additional information on and I would ask each member of the committee to take this matter under consideration right away.

Now, the intention of counsel is that we might complete this stage—and I use this phrase properly—of the inquiry by Wednesday night. The steering committee will have certain other matters to take under consideration and it might be just as well for us to call a meeting of that committee for tomorrow.

Mr. IRVINE: Might I ask what you mean by "this stage"? Do you mean this stage of the bread inquiry or this stage of the main inquiry?

The CHAIRMAN: No, no; of the bread inquiry. There are certain other things counsel will want to discuss with the steering committee in connection with the proposals which should be made to you tomorrow or the next day.

Mr. JOHNSTON: When will the steering committee meet?

The CHAIRMAN: It will be meeting tomorrow. The meeting probably cannot take place before then because we are awaiting certain information.

Now, Mr. Dyde, I believe you have a witness?

Mr. FLEMING: Mr. Chairman, I would like to draw your attention to one matter before Mr. Dyde goes on. On the cover of No. 13 of the minutes of proceedings and evidence, dated Friday, February 27, 1948, Mr. Arsenault shows on

the cover as witness Mr. Charles M. Ruttan, Director, Ontario Bakers Association, Toronto. That is Colonel Ruttan's occupation, but the capacity in which he appeared before the committee on that occasion was as former administrator of the bread and bakery division of the Wartime Prices and Trade Board. I should think that would be the proper description to appear on the cover of our minutes of proceedings and evidence on that occasion.

Mr. MACINNIS: I don't think it should.

Mr. FLEMING: That is not the capacity in which he was called, only his present occupation.

The CHAIRMAN: The clerk tells me the usual practice is to show the occupation of the witness as of the date on which he appeared as a witness. That is what Mr. Arsenault tells me now.

Mr. MAYBANK: I suppose if you were listing him today it should be what he is at the present time, his occupation at the moment of being called.

Mr. WINTERS: It is clear in the evidence as to what he was when he appeared.

Mr. FLEMING: It is clear in the evidence but the cover is misleading.

Mr. DYDE: I have one or two exhibits to put in. On page 27 of the evidence there is a request for a breakdown on a fish item, and while perhaps this is not the completely appropriate time, nevertheless I think I should exhibit this statement supplied by the Dominion Bureau of Statistics.

EXHIBIT No. 43: Wholesale price index Sub-group weights—fish.

WHOLESALE PRICE INDEX SUB-GROUP WEIGHTS—Fish

	Unit	Commodity	Sub-Group
	Quintal	Weight	Weight
Dry shore cod fish.....	(100 lbs.)	450,000	
Cod, fresh steak.....	lb.	175,000	
Smoked fillets of cod.....	lb.	6,000,000	
Haddock, fresh, heads on.....	lb.	18,000,000	
Fresh fillets of haddock.....	lb.	1,000,000	
Finnan haddie, standard.....	lb.	5,000,000	
Sole, fresh.....	lb.	1,500,000	
Kipperd herring.....	box (20 lbs)	500,000	
Salt spring mackerel.....	barrel	100,000	
Halibut, B.C.....	cwt.	300,000	8.2
White fish, fresh and frozen.....	lb.	20,000,000	
Canned Fish			
Salmon, sockeye.....	case	300,000	
Cohoe.....	case	150,000	
Pinks.....	case	500,000	
Chums.....	case	400,000	
Lobster.....	doz $\frac{1}{2}$'s lb. tins	1,000,000	

(Furnished by D.B.S. in reply to question on page 24 of "Minutes of Evidence.")

Mr. DYDE: While that is being distributed I might mention also page 47 of the evidence, reference to a breakdown of indirect taxes; and the Dominion Bureau of Statistics have supplied a table with regard to that matter which I would like to exhibit.

EXHIBIT No. 44: Statement of indirect taxes, 1940 to 1947.

(Later withdrawn)

I am now calling Mr. Ruttan.

Mr. MAYBANK: Are we to understand Exhibit 43 in this manner: Take any one of them, say the top one, you arrive at the imports of dry shore cod fish by adding up all of these weights and you say that that particular kind of fish is important in relation to all the fish as that 450,000 is to the total; is that the understanding we are to give to this?

Mr. IRVINE: Would you ask the fishermen who asked for it?

Mr. MAYBANK: 450,000 set down as a ratio to the total, whatever the total is; is that what the understanding is?

Mr. WINTERS: I imagine if you look at this on a total product basis, 450,000 dry shore cod fish would be about the same as 10,000,000 pounds of haddock, fresh with the heads on. That is why they took it on that weighted basis.

Mr. MAYBANK: It says—the weight has to be understood because it is important. It is important in relation to the cost of living.

Mr. WINTERS: Yes.

Mr. IRVINE: Who asked for this? Ask him and he will be able to explain?

Mr. MAYBANK: I was wondering—I didn't ask for it.

The CHAIRMAN: Did you ask for it, Mr. Winters?

Mr. MAYBANK: I do not know where it came from.

Mr. WINTERS: I am not clear as to that. Does that refer to page 24, Mr. Maybank?

Mr. DYDE: The discussion starts on page 23, I think.

The CHAIRMAN: May I suggest that we must not spend too much time on that.

Mr. MACINNIS: We could get that information from the Bureau.

Mr. DYDE: I think that if information is needed on any of this the best way to do would be to recall one of the officials of the Bureau for a few minutes, and if you want those questions asked at any time I will arrange to have a representative here.

The CHAIRMAN: Now then, Exhibit 44 is a rather important one and just going into the record like that without any explanation seems to me a rather dangerous thing unless we can relate it to something, because we do not want any false deductions from that statement on indirect taxes. Unless it is properly explained I think that might happen.

Mr. DYDE: I think also, Mr. Chairman, that we should ask an official of the Dominion Bureau of Statistics to appear with regard to that exhibit.

The CHAIRMAN: Yes.

Mr. FLEMING: Mr. Chairman, could we have the reference to the question on which this particular statement arises? I asked a question the other day about indirect taxes entering into the price of those commodities which appeared in the cost-of-living index but I do not think the exhibit in this particular form is quite an answer to my question.

Mr. DYDE: We may not have got it for that particular question of yours because this came to us, I think, in answer to a query that was raised as far back as page 47 of the evidence.

Mr. JOHNSTON: Could we not have a breakdown of taxes as they effect bread, because that is the thing we are dealing with now, and I would like to see just to what extent taxes direct and indirect enter into the cost of a loaf of bread, because that is what we are dealing with now and I think it would have a very material bearing on the selling price of bread to the consumer. We have been delving into the other factors that affect it, ingredients and distribution and all that; but there is an amount of taxes which goes into that which might have a material affect on the selling price.

The CHAIRMAN: We will make inquiries about that. We had better clear it up. This is evidence.

Mr. MAYBANK: I do not know exactly what counsel would say at the moment as to where these figures came from or how they come to be before us, but the idea that I had in my mind was this: there are 50, 60, 70 items named in the cost-of-living index and I thought it would be desirable to have a statement on the indirect taxes on each of them. Now, it might be discoverable from the evidence or from this Exhibit 44, but I doubt that it can be done by way of a statement; but I think there ought to be some evidence on each of these items with relation to each of these items.

Mr. JOHNSTON: Referring to butter, meat and so on.

Mr. MAYBANK: Yes. They all come into the cost-of-living index.

Mr. JOHNSTON: I was going to suggest that the Dominion Bureau of Statistics prepare a statement such as I asked for just a moment ago in relation to bread; that we might very well ask for a further investigation and see what they can do in regard to giving us information in regard to indirect taxes as they affect these other commodities which we are going to investigate and probably they could be produced at the time we get to them.

The CHAIRMAN: Yes.

Mr. HOMUTH: Mr. Chairman, let's be sensible about this thing. You are asking them to get all the indirect taxes for some 50, 60 or 70 items. It would take a thousand people a year to get that worked out.

Mr. IRVINE: Oh, no.

Mr. HOMUTH: All right, now let's have an understanding as to what we are going to do. If we take the general taxes per capita per person across this country there you have a pretty good picture as to what taxes they pay. But to stop to figure it out in relation to each individual item—there are cases where the sales tax, for instance, enters into the transaction a number of times, and so on.

Mr. WINTERS: Not on commodities like bread.

Mr. HOMUTH: But here you have 50, 60 or 70 commodities.

The CHAIRMAN: I think there may be something in what you say. We will see what the Bureau says and have a report later on in the day.

Mr. HOMUTH: Let's be sensible about it.

Mr. WINTERS: When we are talking about taxes are we to consider them as percentage rates or dollar amounts?

Mr. MAYBANK: If there are no insuperable difficulties the information will no doubt be available. In the meantime it is desirable to see to what extent indirect taxes may affect prices. Now, if the terms are too difficult and go into too great detail, as Mr. Homuth suggests, that may present a difficulty.

Mr. WINTERS: You want it broken down to the number of cents going into a certain commodity.

Mr. MAYBANK: If it can be done.

Mr. FLEMING: On page 47 there is this question by Mr. Harkness:

There is one other list of statistics which I think might be useful to us. On page 36 you have here No. 6, indirect taxes less subsidies, 1947, a total of \$1,538 million. Can you give us a breakdown of that as to what those indirect taxes are?—A. I am afraid we will not be able to give you a complete breakdown, but we will do the best we can.

Presumably that is the question answered by this but I point out that the revenue yields here are shown to be about one billion dollars, not the \$1,538 million referred to in the previous exhibit. This as it stands does not give us the breakdown yet, that was asked for on page 47 by Mr. Harkness.

The CHAIRMAN: We had better get a complete explanation of this from the Bureau of Statistics and report back this afternoon if we can.

Mr. HOMUTH: Mr. Harkness was not asking for individual items as much as the general tax burden.

The CHAIRMAN: The secretariat will note these things and get this information quickly.

Mr. FLEMING: Is this an exhibit in the meantime?

The CHAIRMAN: I think perhaps it should not be an exhibit. In view of all this I think we ought to withhold it at this stage.

Mr. JOHNSTON: Which one is that?

The CHAIRMAN: No. 44.

Mr. FLEMING: Either that or mark it for identification in the meantime.

The CHAIRMAN: I do not think it ought to be an exhibit at this stage.

Mr. MAYBANK: Just have it in everybody's hands on the understanding it will be brought up later and brought into the record in proper fashion.

The CHAIRMAN: Yes.

Mr. JOHNSTON: You will not identify that as exhibit 44?

The CHAIRMAN: No, but we will keep it for personal use.

Mr. HOMUTH: I want it to be understood I am not opposed to getting this information but—

Mr. MAYBANK: You want to be reasonable.

Mr. HOMUTH: I think we have got to be reasonable in trying to get it, and to try to break down all these various items I think is an impossible task.

Mr. MAYBANK: I think Mr. Homuth wants to be commended for being reasonable and I think he ought to be.

Mr. HOMUTH: I do not want to be commended for anything, and I do not want any commendation from you or anyone else.

Charles M. Ruttan, Director, Ontario Bakers Association, recalled

By Mr. Dyde:

Q. Mr. Ruttan, you have already given evidence before the committee. Your evidence is at page 562 of the proceedings. During the course of that evidence you told the committee that until the end of October, 1947, you had been administrator of bread and bakery products, Wartime Prices and Trade Board?—A. Yes.

Q. And at page 582 you explained that you became an officer of the Ontario Bakers Association on January 1, 1948?—A. Yes.

Q. Then on Wednesday, March 3, Mr. G. W. Bird, gave evidence in which you were referred to, the page being page 712. Have you had an opportunity of reading Mr. Bird's evidence, and have you done so?—A. Yes.

Q. The evidence is, Mr. Ruttan, that you called on the general manager of the A. and P. Tea Company in January, 1948, Mr. Beebe, and represented to him that his company was demoralizing the baking industry, and also that you called on Mr. Capstick, sales manager of the A. and P., and made some very similar representations on a subsequent date, which Mr. Bird could not give exactly. What have you to say to the committee with regard first of all to the conversation with Mr. Beebe?—A. Perhaps if I relate the circumstances leading up to my visit to Mr. Beebe, the president of the A. and P. Stores, the situation can be presented in its proper perspective, and you may save some valuable time.

For many years past, but particularly since the removal of the subsidy on flour last September, there has been a firm conviction on the part of the baking industry in Ontario that the A. and P. were using bread as a loss leader. We consider it would be unfair to mention any particular firms within the industry as holding this opinion, as it is the opinion of almost every baker who knows his production and operating costs. This opinion is so strongly held that at a recent meeting of the executive committee of the Ontario Bakers Association—

Q. When was that held?—A. March 3, 1948, to be exact the regular agenda of the meeting was brushed aside to allow time to discuss A. and P. selling policy as it affected bread. That meeting was taking place while Mr. Bird of the A. and P., presumably without any sinister intention, was giving your committee the impression that the Ontario Bakers Association had at different times, and recently through myself, their director, ventured to object to what was regarded as their loss leader policy.

Mr. HOMUTH: He said their meeting was on March 3. On what date did Mr. Bird give evidence?

The WITNESS: The same date exactly, sir. I wonder how many of you gentlemen got the impression that the bakers were guilty of a more or less serious misdemeanor in so doing. Certainly much of the press did, and quite logically, for having been heard before the bakers the A. and P. have apparently established their viewpoint so strongly that anyone who dares to question their policy must be wrong.

The CHAIRMAN: Oh well—

The WITNESS: That is our attitude.

By Mr. Johnston:

Q. For clarification—

The CHAIRMAN: Let him finish his statement. We will examine him on that later. I think he should be allowed to make his statement.

The WITNESS: At this particular bakers' association meeting I was instructed to proceed to Ottawa forthwith and consult with the executive secretary of the national council of the baking industry and arrange for a meeting of that council executive, and to engage legal counsel to ensure the proper presentation of the facts concerning the A. and P. competition as regarded by the bakers to your committee, or such other competent authority as would be fit and proper. Please note I was not aware of Mr. Bird's testimony or mention of my name until after I had purchased my ticket for Ottawa.

As Mr. Bird has told you I did see Mr. Beebe and I advised him at the outset that it would be improper for us to discuss price, but that the bakers considered, by reason of their knowledge of their own costs of production, that he must be selling bread at a loss. Mr. Beebe replied that they were not selling at a loss, and

added that even if they were, in view of a further recent drop in the price of flour, there was nothing that could be done about it. In fact, he smilingly asked me what I would do under such circumstances.

Mr. LESAGE: I do not want to interrupt but I would like the witness to repeat what he has just said and do it more slowly.

The WITNESS: I will be glad to. I agreed with him that there was nothing to be done under such circumstances but—

Mr. DYDE: He wants the earlier part, Mr. Ruttan.

Mr. HOMUTH: The previous paragraph.

The WITNESS: Mr. Beebe replied that they were not selling at a loss and added that even if they were, in view of a further recent drop in the price of flour, there was nothing that could be done about it. In fact, he smilingly asked me what I would do under such circumstances. I agreed with him that there was nothing to be done under such circumstances, but that he would find it difficult to convince the bakers that he was not selling bread at a loss.

You have heard Mr. Earwaker say to your committee on Friday last:

The small baker today is in a very difficult position. I will make this prediction, if the large bakers and chain store operators continue to sell ten-cent bread there will be very few small bakers left in the country.

By Mr. Maybank:

Q. That is a quote?—A. That is a quote. You have heard Mr. Earwaker say that. Let me also quote to you from the report of the investigation into an alleged combine in the bread baking industry in Canada dated February 5, 1931.

Chain store competition, even though much of it has been below cost, supplemented by the competition of smaller low cost bakeries all over the country, has made itself felt.

The one object at that time seems to have been to keep the price of bread down regardless of wage scales or anything else, as no action apparently was taken against selling at a loss.

That is 1931. Presumably an organization like A. & P. has a very exact accounting system, but apparently it is not set up to show the actual profit or loss on an individual item such as bread. It is axiomatic that if an average hauling charge is 42 cents per 100 covering a number of lines, where the hauling charge is above 42 cents on any one line then that line earns less than the average. It is a fact that the express charges on bread run much higher to certain points than 42 cents, and where the over-all profit is less than 1 per cent it seems to the bakers beyond the bounds of reason that bread at ten cents can be anything but a loss in itself, although a tremendous trade getter as a loss leader. It is understood—

By Mr. Homuth:

Q. Say that again, please.—A. It seems to the bakers beyond the bounds of reason that bread at ten cents can be anything but a loss in itself though a tremendous trade getter as a loss leader. Again it is understood that in the United States the A. & P. stores sell bread at two cents under the price of the nationally advertised brands. For instance, where an advertised brand might sell for 16 cents for a 16-ounce loaf A. & P. would probably sell for 14 cents. Why then in Canada do they sell at four cents under the 14-cent price for a 14-ounce loaf? While it might be considered that in selling bread at an abnormally low price the A. & P. are rendering a service to the 5 or 6 per cent

of the population buying chain store bread, what will be the effect on the 30,000 bakery employees and their families? Is it reduction in wages or loss of jobs?

Again why should the products of our farms, wheat, lard, milk, that are necessary in the production of bread, be depressed beyond their proper value to enable any store to sell other products, some imported, at a profit? Those are a few of the questions that are puzzling the bakers and which in their opinion are worthy of your consideration.

As you will understand there has not been time to assemble representatives of the baking industry from coast to coast to study the situation in the light of recent publicity and submit definite recommendations to you, but it is hoped to make those recommendations in the very near future. In the meantime it will be understood that the Ontario bakers at least are convinced that 10-cent bread is a loss leader and they consider that they are justified in protesting against it.

Mr. IRVINE: I would suggest to you—

The CHAIRMAN: Just a minute. You have finished your statement?

The WITNESS: Yes, sir.

Mr. IRVINE: I would suggest to you that from now on you see that the witness answers the questions you put.

Mr. FLEMING: Surely there is no objection taken to anyone making a statement?

Mr. IRVINE: I am not taking any objection to it.

The CHAIRMAN: Let us not spend time like this.

By Mr. Maybank:

Q. I have a couple of basic things about which I would like to inquire. It is then a fact that the evidence given respecting the interviews by you with the A. & P. officials is substantially correct?—A. Yes.

Q. And your organization was and is interested in keeping bread up to a certain level, not interested in seeing the price go down? That is true?—A. They are certainly interested in seeing that bread is not sold below cost. How otherwise can they operate?

Q. Your organization is interested in keeping the price up to a certain level and you would respond that that level is the level of cost?—A. I would say that level is the level determined by competition. That is what determines it. In this case competition with the A. & P. is apparently determining that level at a loss.

Q. What was the price to which you were at that time directing your attention in the conversation with the A. & P. people?—A. I did not even mention price to the A. & P. people.

Q. I know, but there was a certain price they were charging, against—
—A. They were charging 10 cents.

Q. Against which you were registering your complaint?—A. Ten cents.

Q. What were they selling at 10 cents?—A. What were they selling?

Q. All— —A. A 24-ounce loaf of bread.

Q. All bread at 10 cents at that time. Were you directing your attention and their attention in that conversation to the sale of bread by them at 10 cents?—A. Yes.

Q. All kinds of bread?—A. That was their price at that time that I went to protest the fact that it was regarded as a loss leader.

Q. And at that time they were selling all bread at 10 cents were they, all 24-ounce loaves?—A. 24-ounce loaves, so I understand.

Q. At any rate, that was your understanding at the time of the conversation, whether or not it was right?—A. Right.

Q. That was your understanding?—A. Right.

The CHAIRMAN: You said right, but I do not think the reporter heard you. Would you speak a little louder, Colonel?

The WITNESS: Yes.

By Mr. Maybank:

Q. Sometimes your voice does not come back as loudly as the question is put and that is not good for the reporter.—A. If I understood your question you were asking me if the A & P price at that time was 10 cents?

Q. Yes.—A. Yes.

Q. Yes, their price was 10 cents a loaf, straight across the board for all kinds of loaves, that is what you said?—A. Yes.

Q. Mr. Ruttan, I would like to ask you something about the people who were present at that meeting on the 3rd, I think you said it was the 3rd of March. Who were there?—A. There would be 18 or 20 members of the executive of the Ontario Bakers' Association. There were representatives from North Bay, Windsor, London, Toronto, the complete executive of the Ontario Bakers' Association.

Q. The complete executive?—A. There may have been a few absent members.

Q. But it was a well attended meeting of the executive?—A. Right.

Q. It was?—A. Right.

Q. You say they interrupted the general business of the day for the purpose of discussing A & P policy?—A. They hurried it through.

Q. They hurried through other matters to discuss A & P policy?—A. Right.

Q. Did you know at that time that A & P were on the stand?—A. They knew they had been on the stand, yes.

Q. I see.—A. Yes, because quite clearly reference was made to the price of 8·7 which I believe A & P quoted. I am speaking now from memory as to the price on their platform.

Q. Was that a regular meeting or a special meeting of the executive?—A. I believe that was a regular monthly meeting.

Q. As a result of your discussions at that meeting you say you were sent down here?—A. Yes I was ordered to proceed at once.

Q. At that meeting were you able to report the conversations you had already had with A & P?—A. Yes, I imagine I was.

The CHAIRMAN: Speak a little louder, Colonel, please?

The WITNESS: I am just trying to think whether I mentioned that at that particular time. I may have, I would not be too sure.

The CHAIRMAN: I want you to speak a little louder because I see certain members of the press are having difficulty hearing.

The WITNESS: That question was not in my mind. I did not know Mr. Bird was going to make the statement regarding me having met their company.

By Mr. Maybank:

Q. You were discussing their policy?—A. Yes.

Q. Would it not be natural for you to say I have had such and such a conversation with these people and describe it to the executive?—A. Yes.

Q. Is that so?—A. Yes.

Q. But you do not remember whether you reported or did not report?—A. I had mentioned it before.

Q. At other meetings, do you know?—A. I do not know whether at a full meeting or just to numbers of the bakers.

Q. The fact you had had such a conversation would be known to the various executive members present?—A. Yes.

Q. Whether you had told them about it at an open meeting?—A. Yes.

Q. Or whether you had told them or several of them individually?—

A. Yes, they had no reason not to know of the statement.

Q. I would like to ask you if you could give the committee a statement as to the names of all of the members on this executive? Even if you cannot do it at the moment you could make it available soon?—A. I would be glad to do it.

Q. Can you go a little further and state who was at the meeting?—A. I would not like to trust my memory.

Q. I am not suggesting that you trust your memory but there should be some record?—A. Yes, I would be glad to get it.

Q. The first question was "Who are the executive members", and the second question is "Who, of the executive members, were present?"—A. I would not like to rely on my memory.

Q. I am not suggesting that you rely on your memory.—A. I thought you said memory instead of members.

Q. Now you know of course that the chain stores are all selling a 10-cent loaf?—A. Yes.

Q. Is that regarded among your members also as a loss leader?—A. It is regarded as a loss undoubtedly from the point of view of the value of a loaf of bread.

Q. Well, what other point of view might there be besides the value of a loaf of bread?—A. The point of view of the individual purchaser who might buy it for a loss if he actually sells it to meet competition.

Q. Well to go back to that question you are aware that the chain stores are selling a 10 cent loaf?—A. Most of them are I think, yes.

Q. The next question is that I ask you if that is regarded in the industry as a loss leader also?—A. I think you have Mr. Earwaker's statement there on the subject, which I just quoted to you.

Q. Yes.—A. "If the chain store and large bakeries continue to sell bread at 10 cents—"

Q. Mr. Earwaker's statement was in effect that if the chain stores and others went on selling that 10-cent loaf and enlarged their sales, a large number of the smaller bakers would have to go out of business. Is that about the sense of it?—A. Words to that effect and I can quote it if you want.

Q. As long as there is no disagreement about that having been correctly expressed there is no need to add any words. At any rate the attitude of your membership towards the 10-cent loaf in the chain stores is just about the same as your attitude towards the A & P sales policy as expressed here this morning?—A. Yes, I mean it should be discontinued as a loss leader from the point of view of the baking industry.

Q. Well, your attitude, or the attitude of your organization towards A & P policy is that they are selling bread at a loss and, secondly I presume, that is what you call demoralizing the industry?—A. Quite.

Q. And that it will drive a number of bakers out of business?—A. Yes, quite, because the others must meet their competition.

Q. Yes, and your attitude, and the attitude of your organization towards the chain store policy generally and its 10-cent loaf is substantially the same as in the case of A & P?—A. If I follow your reasoning it is.

Q. I am not reasoning, I am asking questions.

Mr. HOMUTH: Do not admit that you are not reasoning.

By Mr. Maybank:

Q. I am asking your attitude, and the attitude of your organization, towards the chain store 10-cent loaf? Is it the same as your attitude towards A & P policy?—A. Yes. I can put it this way. They certainly are opposed to bread being sold at a loss no matter by whom. That is the general answer.

Q. Well, is it held in your industry that the 10-cent loaf of the other chain stores is a loss?—A. I say—do you mean a loss to the individual who purchased it?

Mr. LESAGE: No, the person selling it.

Mr. MAYBANK: I am holding you to your own expression; a loss leader, or sold at a loss.

The WITNESS: From the viewpoint of the industry it is a loss leader but from the viewpoint of the individual purchaser it might not be.

The CHAIRMAN: Mr. Maybank, before you go on, are you satisfied the evidence before us is that there is a loss on the 10-cent bread?

Mr. MAYBANK: No.

The CHAIRMAN: Are you going to pursue that?

Mr. MAYBANK: No, that is something—

The CHAIRMAN: This witness is assuming that is the evidence.

Mr. FLEMING: He is not assuming that is the evidence, he is assuming that is a fact. He assumes that to be the fact.

Mr. HOMUTH: Who does the witness refer to as the purchaser? Does he mean the store that purchases it or the ultimate consumer?

The WITNESS: The store that purchases it.

Mr. HOMUTH: Mr. Maybank, had you not better clear this point up. He says the purchaser may buy at less than sale price—

The CHAIRMAN: Well, Mr. Maybank your questioning is important, and Mr. Fleming talks about facts and evidence. All we are concerned with is the evidence. The evidence before us was that the A. & P. 10-cent loaf is making profit.

Mr. JOHNSTON: Yes, Mr. Chairman, that is quoted at page 698 in the record. It was in answer to a question which you asked Mr. Bird.

Mr. FLEMING: Just a moment, please. You say that is the evidence. I do not say it is not but this witness says in fact it is not correct.

The CHAIRMAN: Well that is a blank denial. If he has got evidence that that A. & P. says is not true well then let us have it. However, Mr. Fleming, a blank denial that they are not making a profit is not sufficient.

By Mr. Maybank:

Q. I think I might be able to clear that up. The actions of your organizations, and your actions, with reference to A. & P. policy, are based upon the conviction existing in your mind that they were selling at a loss?—A. Correct.

Q. You were not then and you are not now under any misconception that A. & P. had admitted in this committee that their policy was a loss leader policy?—A. No, no.

Q. You never had that idea?—A. No, no, they did not admit it.

Q. In fact you know they took the position that they did not sell at a loss?—That is what they told me.

Q. Yes, at the time you spoke to them?—A. Yes.

Q. They were making a profit?—A. Yes, but the bakers cannot agree. They cannot agree that can possibly be the case.

Q. The bakers cannot agree with that?—A. No.

Q. The bakers cannot agree that could possibly be so?—A. No, that is why they sent me down here to consult with the executive of the national council and to appear before your committee. It was an endeavour to get the real facts. They could not possibly see how they could sell bread at 4 cents lower.

Mr. JOHNSTON: Mr. Chairman, are you through, Mr. Maybank?

Mr. MAYBANK: No, I am not through but do you want to ask a question to clear something up?

Mr. JOHNSTON: Yes, I am asking the witness to clearly define what a loss leader is? You have referred to that several times.

Mr. MAYBANK: I was going to go into that.

The WITNESS: A simple definition would be a product that is sold at less than cost.

By Mr. Johnston:

Q. Then in the trade a loss leader necessarily means an article which is sold at less than the cost price of it?—A. We would not think of it as an individual article sold occasionally.

Q. You say occasionally, what do you mean by that?—A. Perhaps once a month or twice a month, something that somebody wanted to get rid of—

Mr. FLEMING: Let him finish.

The WITNESS: But where it is a staple product such as bread and it is constantly sold every day at a loss—

By Mr. Johnston:

Q. You mean at less than cost?—A. Less than cost.

Q. But there are occasions when a loss leader is considered to be an article upon which the price is reduced below the regular selling price?

Mr. HOMUTH: That is not a loss leader.

Mr. JOHNSTON: Well just a moment, I am not asking you.

Mr. HOMUTH: You are not asking me but let us get it cleared up.

Mr. JOHNSTON: Let the witness answer me.

Mr. HOMUTH: A man might have certain things in his inventory which he feels he has to get rid of, and which he will sell below cost once a month or every two or three months. He will sell it below cost, but that is not a loss leader.

Mr. JOHNSTON: We are not talking about that article.

Mr. HOMUTH: Well, you are getting all mixed up.

Mr. JOHNSTON: And you are not clearing it for me.

By Mr. Johnston:

Q. The witness did refer to an occurrence where the price was reduced below the regular selling price, not necessarily below cost, and yet you occasionally classed that as a loss leader?

Mr. HOMUTH: No, he did not.

The WITNESS: The other gentleman expressed it clearly.

Mr. JOHNSTON: I am asking the witness to express it. He has used the word "loss leader" on two different occasions.

The WITNESS: As it was explained a moment ago that a merchant might have some articles in his inventory which he felt he might have to dispose of at a loss. That I would not regard as a loss leader, but where he constantly sells a staple article at lower than cost, it is what I would call a loss leader.

The CHAIRMAN: You are sure that is clear.

The WITNESS: I suppose you know the A. & P. get rid of their surplus bread which is not likely to be sold in any one day at approximately 5 cents?

Mr. JOHNSTON: That has not been brought out in evidence.

The WITNESS: It is a fact.

Mr. JOHNSTON: You may be able to give us further information on it.

Mr. IRVINE: There is this questioning and answering with people all talking at the same time and it is very difficult.

The CHAIRMAN: I know.

By Mr. Maybank:

Q. I would like to ask you this question upon the same point. Let us take any article, and we will say it costs 8 cents to get it on the shelf of the retailer ready for sale to the consumer. If the retailer were to sell the article at 8 cents, the only thing he would get out of the transaction would be the pleasure of handling the article. He would not get any money into his own pocket which he could spend on Coca-Cola, beer or chewing gum or anything for himself. If he sells such an article as that at 8 cents, would you say that it was being sold as a loss leader?—A. I would say, undoubtedly—supposing he sold all his merchandise on that basis, he still has his wages to pay.

Q. This is only for the purpose of fixing our terms clearly. Let us stick to the question. I have described the sale of a certain commodity under certain conditions and I have said if that article were sold regularly at 8 cents, the same amount that it cost the merchant to get it on his shelf, is that regarded by you as a loss leader?—A. By me, personally, it would be, if he constantly sold a staple article at that price.

Mr. HOMUTH: Let us just clarify this—

Mr. MAYBANK: I quite realize Mr. Homuth has every right in the world to make certain clarifications, but I would rather not be interrupted.

Mr. HOMUTH: I am doing this to clarify your question.

Mr. MAYBANK: As our Minister of Labour would say, I know Mr. Homuth is approaching this in all kindness.

Mr. HOMUTH: There is nothing kind about anything I do.

Mr. MAYBANK: I would rather be left alone for a minute or two because we will only have to come back to the point at which I was a moment ago. What I want to get is exactly when the word "loss" is appropriate. You have stated that would be regarded as a loss leader, although the individual got as much as the article cost him to get on his shelf?

The WITNESS: That would be my own opinion; if he did not take any profit, he is selling at a loss because he has wages, overhead and everything to consider. He has a definite loss.

By Mr. Maybank:

Q. My only purpose is to get the term fixed. If something is sold, then, at anything below what is considered a normal profit, would you say it is being sold as a loss leader?—A. I do not say that I would; I do not know.

Q. You do not know where the breaking point is between the loss leader and what might be termed a legitimate sale?—A. Yes, sir.

Q. You do not know where the breaking point is?—A. No.

Q. You would say if anything is sold without some profit, that is a loss leader?

Mr. HOMUTH: No, he did not say that.

The WITNESS: I have tried to say that if a staple article were constantly sold in that manner then, in my opinion, it is a loss leader.

Mr. MAYBANK: We will understand that we were both talking about a staple article, regularly selling at that price; is that clear?

Mr. HOMUTH: No, I say it is not. Supposing a man running a chain store has a certain number of his customers who demand a certain type of sweet pickle. His selling policy is such that, if he purchases those pickles he cannot make a profit selling them against other stores. He would have those pickles on his shelf and he would sell them. He may lose money on them, but he loses money on them simply because people go into the store to purchase other things and demand the pickles. They are not a loss leader, are they. That is

a service he gives to his customers. They do not come in particularly to purchase that item, but the item is available to them and the merchant suffers a loss on the sale of it. Loss leaders, in themselves, are something which you advertise and sell in order to get people into your store and, when they buy the loss leader they buy other things; is that not true?

The WITNESS: I think your definition is much better.

Mr. MAYBANK: It doesn't make much difference what the thing is called, so long as we understand the term.

Mr. HOMUTH: It is a bait, the same as putting a squirming worm on the hook to catch a fish.

Mr. MAYBANK: The only purpose of the question is to understand what the witness means when he uses the term, "Loss leader".

The CHAIRMAN: The A & P say they make a profit and this witness says they have not. Could we not get from this witness what evidence there is to show that A & P has not made a profit?

By Mr. Maybank:

Q. I want to ask this question relating to the evidence given by the A & P. They indicated that on the $7\frac{1}{2}$ cents, when they were selling at $7\frac{1}{2}$ cents—no, I will leave out the $7\frac{1}{2}$ cents and only deal with the 10 cents. They indicated that they made a 13 per cent gross margin to selling price on that. They did not indicate that, they told us that as a fact; that that was their gross margin. Have you any evidence to the contrary?—A. I think, in arriving at that, they also said their carrying charge averaged 42 cents.

Q. Their carrying charge?

Mr. HOMUTH: That is the express charge.

The WITNESS: Transportation.

By Mr. Maybank:

Q. What is that again?—A. For some points, for instance, to a point like Windsor, the rate runs about .66 cents a pound, or for a pound and a half loaf, it would be .99.

Q. You are in this position that, the A & P statement with regard to a profit is disputed by you?—A. Yes, the Ontario Bakers Association as represented by myself.

Q. What evidence in this respect you have been giving is representative evidence, representative of your association and not merely your own opinion?—A. I hope I am expressing the general opinion of the members of the association. As I have told you, they instructed me to come down here and make the necessary arrangements to call on you to see how to approach—

The CHAIRMAN: We know about that. Our time is valuable. What is the evidence, that is what we want to know. You dispute this statement. Mr. Maybank has pointed out that the A & P have said they made a profit. You dispute that, but a mere denial is no evidence; it is no help to us.

Mr. MAYHEW: May I say a word on this subject?

The CHAIRMAN: May I get an answer to my interjection?

By Mr. Maybank:

Q. Is there any evidence you can offer in contradiction of the evidence supplied by the A. & P. stores that they made a profit on this operation?—A. The bakers believe they have evidence in the actual statement of production costs, as quoted, and transportation charges to the various points.

Q. Did you say, "we believe we have evidence"?—A. Yes.

Q. The question is, have you any concrete evidence to offer to this committee in contradiction of the evidence of A & P as to their own profits?—A. I have no evidence that I can put before you this minute. The idea in having this meeting was to make the necessary preparation to submit orderly evidence.

Q. That was on March 3rd?—A. Right.

Q. You have not made the necessary arrangements to submit concrete evidence as yet?—A. No, sir; as I say, I got on the train and read this report—

Q. That is all right; the answer is, no, you have not had the opportunity?—A. No, we have not. I waited all day Friday, here.

Q. May I draw your attention to this piece of evidence on page 698 of the minutes of proceedings and evidence. The chairman asked:

Q. And you are still making a profit at 10 cents?—A. Yes.

The question was then asked,

Have you any knowledge at all of what your gross sales are?—A. If the committee wishes I would be very glad to give them, but the figures have not been disclosed, I might say, to date. This is for the fiscal year ending February, 1946. Sales were approximately \$39,000,000, gross profit rate .1367; and net profit after taxes .0099; our expense rate, .1170.

Q. And have you found that with the lower price you have had an increase in sales?—A. A lower price of bread?

Q. Yes.—A. Yes, sir; our sales have increased.

I do not know whether you have seen that evidence before or not. From that, you will see clearly, that the man who appears to know best about the A. & P. business, discloses a profit?—A. Yes, sir. However, all the way through he says it is an average profit. On page 717 of the evidence there is a question by Mr. Merritt.

Q. You do not think it costs more than the average?—A. No.

Q. Have you ever worked that out?—A. No, we have no accounting system that does that. This is a figure based on all groceries and bread shipped and actually to try and break down the cost of shipping bread would be highly improbable or impossible as far as we are concerned, because certain items take up more room, certain items are heavier and harder to handle and certain items turn over more slowly.

Well, the bakers maintain there should be an accounting system which would show exactly whether or not they are selling bread as a loss leader.

By Mr. Johnston:

Q. I should like to go back to your question, Mr. Chairman. At page 698 of the evidence, I think that is the page to which you were referring, Mr. Chairman, and the question above the one referred to by Mr. Maybank.

Q. And you are still making a profit at 10 cents?

You were speaking of the 10 cent loaf, and the witness' answer is quite clear, "Yes". There is no misunderstanding that. The witness there stated he is making a profit on the 10 cent loaf. What has this witness got to say to that?

The CHAIRMAN: Exhibit 43 also indicates there is no doubt about the evidence of the A & P that they made a profit.

Mr. MAYBANK: And that they made a profit on bread.

Mr. MAYHEW: This witness is interested in the manufacture of bread, the bakers of bread. We are drifting here from the bakers of bread up to the retail operation. In the A & P retail operation they did make a profit, but they admitted before us that the price of 6·87 on their platform was without a profit;

that was the actual cost. Therefore, if the bakers of bread had to sell at 6·87 cents they would not make a profit and, therefore, most of them would go out of business. Is not that about what you are saying?

The WITNESS: I think so.

Mr. MAYHEW: There are two operations and this witness is interested in the manufacturers or bakers, themselves. He is not interested in what those bakers make in the retail end of the operation.

Mr. MAYBANK: That is right.

Mr. MAYHEW: His men cannot sell to these men unless they are getting—

Mr. MAYBANK: Unless they are getting above the 6·87.

The CHAIRMAN: We have evidence from the A & P that they are making a profit at 10 cents. They are bakers for themselves. Now, if this witness can show us what it costs to deliver bread from the baker to the consumer, allowing for a profit, and can show that would bring it beyond the 14 cents, that would be evidence.

Mr. HOMUTH: Beyond the 10 cents?

The CHAIRMAN: No, beyond the 14 cents, that would be evidence. We have the A & P making bread at 10 cents with a profit and we have the bakers making bread at 14 cents. If this witness can show us what it costs to deliver bread, allowing for a profit on that effort, then we would have some evidence. But I do not think that we should go on listening merely to ceaseless denials. This witness said they are going to produce evidence along that line. Perhaps we should get that. It might be more valuable.

Mr. HOMUTH: Mr. Chairman, might I interrupt? This witness was called here this morning or came here this morning to give evidence that the A & P are selling 10-cent bread at a loss, as a loss leader.

Mr. FLEMING: That is right.

The CHAIRMAN: He does not quite say that.

Mr. HOMUTH: He has made that statement here.

The CHAIRMAN: You have reference to the 14-cent bread?

Mr. HOMUTH: Yes. I do not think 14 cents really enters into this thing particularly.

The CHAIRMAN: No.

Mr. HOMUTH: Should he not show, or produce evidence, if it is going to be of any value at all, that the A & P are producing bread at a certain price and retailing it at 10 cents and as a result of that they are determining the price.

The CHAIRMAN: Exactly. There is a point I might offer for this witness or others who may come after. We have yet to have before us any evidence as to the cost of bread delivery and if we are going properly to ascertain whether the difference between 10 cents and 14 cents is a reasonable difference we have got to have that evidence. In 1931 there was a report made by Mr. McGregor under the Combines Investigation Act suggesting various costs of delivery. Now, I think we ought at some stage to get that information, and I was hoping that this witness could give it to substantiate his claim that bread cannot be made for profit at less than 14 cents. The point I am making, and I think as chairman I must point this out to the committee, is that we are not getting that evidence from this witness; that I think we ought to leave him alone on the point until such time as he can actually produce facts and figures as evidence.

Mr. MAYBANK: I think, too, we are in this position at the moment that one witness has come forward and said very definitely they made a profit on their bread at 10 cents per loaf. All we have this morning is substantially either a denial of that or else a statement from the bakers, we do not know how they do it.

The WITNESS: They could not believe it.

Mr. MAYBANK: This witness has not gone beyond that. It may be that there is evidence which can be brought forward to upset the statements that have been made to this committee, and I suggest that he do that if he can. Now, there is another question—

Mr. FLEMING: I would like to make an observation, if Mr. Maybank is done, Mr. Chairman. We all want to save time and I suggest we can. Here is an issue that has been definitely raised now and we have a condition of contradiction. Is this not a case now where we should, as we contemplated all along we probably would have to do, ask our accountants simply to go in there and make a report from the facts? After all, the question of the A & P making a profit on the combined operation—that is the baking and selling of bread—cannot be determined entirely by outside evidence; it has got to be determined by internal evidence. It seems to me, Mr. Chairman, that the only way we will get the facts isolated and determined is by having Mr. Wilson go in and make us a report following an examination of A & P operations.

The CHAIRMAN: Counsel is going to give us a suggestion on that point.

Mr. FLEMING: If that is the case we can save some time.

Mr. HOMUTH: Did not Mr. Earwaker the other day give us the cost of delivering his bread?

Mr. LESAGE: Yes, a little more than 4 cents.

Mr. HOMUTH: I think he gave us that information.

Mr. LESAGE: That is what I was quoting.

The CHAIRMAN: We want to verify that from the facts.

By Mr. Maybank:

Q. With reference to that meeting about which we have been ~~tort~~, would it be possible to get the minutes, Mr. Ruttan? Did anyone keep minutes of that meeting?—A. Yes, our secretary, Mr. Ackert.

Q. Are the minutes in his possession, as far as you know?—A. Yes.

Q. Are they in Ottawa at the present time?—A. No, sir; they are in Hamilton.

Q. The minutes are not in Ottawa at the present time?—A. Not as far as I know.

Q. But they are in his possession and I suppose could be produced?—A. Yes.

Q. Would it be possible to get those minutes?—A. I think so, yes.

Q. You can get them for examination by this committee if desired?—A. Right.

Mr. MAYBANK: It might be, Mr. Chairman, that it would be an advantage to see them, and I request that the witness be requested to submit them to the committee for examination.

Mr. MAYHEW: I think it would be a good thing now if we could have tabulated a statement showing the cost, selling price, delivery cost and so on—and the cost of the various ingredients—with respect to each company which has appeared before us. We could then make a comparison here and draw our own conclusions. Now they are scattered all through the evidence and it is difficult to go directly to one and say this is what they said. If we had statements of each of the companies before us in tabulated form their costs would be comparable.

The CHAIRMAN: I am convinced that Mr. Fleming is right, that there is only one thing for us to do. We have listened to witnesses and there are certain directions apparent from the evidence; but I think that our accountants have got to go in themselves and make a thorough study and report back to us.

By Mr. MacInnis:

Q. There is one question I would like to ask the witness while he is here. Does the witness maintain that any bread sold at 10 cents is sold at a loss? There are a number of bakeries which are selling bread to grocery stores to be sold at 10 cents. Is it his contention then that since A & P—he claims that A & P cannot sell at 10 cents without selling at a loss; that all 10-cent bread sold in grocery stores is sold at a loss?—A. Not necessarily, sir; because if you are cutting down the size of that loaf—

Q. As far as we know they are all 24-ounce loaves.—A. I can only speak for the opinion of the Ontario bakers.

The CHAIRMAN: You were asked a question, what is the answer?

Mr. MACINNIS: Do you think Loblaw's can sell Canada Bread at 10 cents a loaf, a 24-ounce loaf, and make a profit?

The WITNESS: No, sir, I do not; that is what I said originally.

By Mr. Beaudry:

Q. You said, Mr. Ruttan, that any bread which was sold at 10 cents, in the opinion of the Ontario Bakers' Association, would be sold as a loss leader?—A. You have to consider the quality.

Q. We are discussing the type of bread that is sold either by the bakers or manufactured in this case by the A & P at a wholesale price ranging from 8·7 cents to 9 cents and retailing at 10 cents; is that in the opinion of the bakers considered as a loss leader?—A. I am sorry, I will have to ask you to repeat your question. I did not catch you.

Q. I said the opinion of the Ontario bakers is that on a 24-ounce loaf either baked and sold by independent bakers at a price ranging between 8·7 and 9 cents or baked by A & P at a cost of approximately 9 cents and sold at a retail price of 10 cents is a loss leader?—A. I did not say that A & P bread, if it is quality you are talking about, sold at 10 cents is—

Q. Let me amplify my question; the A & P, according to evidence, from the point of view of manufacturing costs translated into wholesale costs as against the retail price for sale, costs approximately the same amount that Loblaw's, Dominion Stores, and many other stores probably, pay for their bread from the baker and sell at retail, includes the same margin of costs in the bakers—the same margin of the same cost as related to the same retail price, exemplifies the definition given of a loss leader, of loss leader salesmanships and evinces it in all cases—

The CHAIRMAN: Mr. Beaudry, do you mind my saying this: I am not saying that this witness is not more intelligent than I am, but I assume he is rather intelligent, but I must admit that after having listened to your question I have not got it. It is a pretty long question.

Mr. HOMUTH: It is too involved.

By Mr. Beaudry:

Q. Then I will repeat my question step by step. Is it the opinion of the Ontario Bakers' Association—

The CHAIRMAN: Order, please.

Mr. BEAUDRY: —that 10-cent bread, or bread sold at a retail price of 10 cents produced at a cost of approximately 9 cents is considered by your industry to be a loss leader?

The WITNESS: You mean, if a dealer produces bread for 9 cents and sells it for 10 cents is that a loss leader?

Mr. LESAGE: For the bakers.

The WITNESS: That is a different proposition altogether.

By Mr. Beaudry:

Q. Is the retailer, selling at 10 cents a loaf of bread he buys at 9 cents, making an operation involving a loss leader?—A. The dealer makes a profit of 1 cent, you say could you apply the phrase "loss leader"?

Q. Is that true of A & P also?—A. Pardon?

Q. Is not that true of A & P, as to what they do?—A. They are making their own, sir.

Q. I appreciate that, but from the point of view of the store selling, the retail angle of it; they are still making that same margin of 1 cent, or a 10 per cent margin on the sale price, the wholesale price?—A. My submission is that we are just getting back to the same ground again.

Q. Yes, but for a purpose. I am asking you whether in the case of a retailer who produces bread at 9 cents and sells it at 10 cents, you would not consider that a loss leader for Loblaw's as much as you would in the case of A & P baking bread at 9 cents and selling it at 10 cents?—A. Do you mean, sir, in the interests of the entire baking industry and the consumer should these people have to discontinue that practice? I would say, yes.

Q. I am not asking you that.

The CHAIRMAN: That was not the question.

Mr. BEAUDRY: Would you consider that a loss leader in both cases, in your opinion?

The WITNESS: I cannot say that the dealer is using it as a loss leader if in manufacturing bread he makes a profit of 1 cent; can't see anything to it if he is making a profit of 1 cent. He is not making a loss leader.

By Mr. Maybank:

Q. Does it not come down to this, that the association of bakers are disturbed because they have found an organization, the A & P, apparently efficient enough that they can sell to their retail and that retail can make a profit of 1 cent, if they wanted to supply it that way, and also make a profit on their baking operation; the millers are disturbed about this individual efficiency?—A. I do not think so. I do not think they are the least bit disturbed about fair competition. I think you will find bakers who can make their bread just as cheaply, Mr. Chairman.

Q. This association was disturbed enough about the situation anyway that they sent you?—A. Quite.

Q. To go to see these people; or else you went because it was your duty.

Mr. HOMUTH: Now, wait a minute, Mr. Chairman. I think we have to qualify what Mr. Maybank has said. The Bakers' Association are not admitting any particular efficiency in A & P. The A & P have a policy of baking their own bread and taking it over to their retail stores where they sell it at 10 cents.

Mr. MAYBANK: That is right.

Mr. HOMUTH: As to the question of whether they are more efficient than other bakers in the province, there is no proof of that at all.

Mr. MAYBANK: Oh, no, no.

Mr. HOMUTH: The A & P may be just as efficient or inefficient as the other bakers, and they may be selling a loaf of bread at less than cost if it comes down to that.

The CHAIRMAN: Mr. Homuth, may I point out this: What we are interested in trying to find out is what can be done, if anything, in the way of lowering the cost of bread. Now, we have evidence before us that bread is being made by the A & P themselves and sold on their counters at a profit. That is the important fact, and it seems to me that when we bear that in mind there is nothing improper in Mr. Maybank's question.

Mr. BEAUDRY: I do not like to interrupt Mr. Maybank but I have a couple of questions to ask the witness. I take it from what this witness has said that he considers all bread sold at 10 cents is a loss leader.

The WITNESS: I do not think I made that statement.

Mr. BEAUDRY: I believe you did, but if you would like to qualify it now—

The WITNESS: I do not think I made it.

The CHAIRMAN: What do you say about the question now? Then we will know where we stand.

The WITNESS: That all bread sold at 10 cents is a loss leader? I think my reply was that if bread produced at 9 cents and the dealer makes a profit of 1 cent, that from an industry point of view it is wrong to have bread selling in that way to compete with—

Mr. BEAUDRY: You are quite willing—

Mr. MAYBANK: Wait just a moment; the witness is trying to complete his statement.

The WITNESS: I wanted to answer your question.

By Mr. Beaudry:

Q. You were quite willing to grant, Mr. Ruttan, that a margin of 1 cent as between the cost price and retail price is sufficient to ensure a profit?—A. No, sir.

Q. For the retailer, the purchaser?—A. I am sorry, sir; I did not say anything about that.

Q. Then we are working at cross purposes. You will have to make another statement.

By Mr. Winters:

Q. May I ask a question there on your question? In dealing with loss leaders when you are referring to loss and profit are you considering net profit or gross profit?—A. You naturally consider your net profit.

Q. So this relationship of 9 to 10 cents may not necessarily determine a loss leader?—A. That was not the point.

Q. That is the point I am asking about.—A. Nine to 10 cents does not; of course, it does not.

Mr. MACINNIS: I think we should leave the matter of loss leader out of it and find out if they are selling at a loss.

Mr. WINTERS: That is why I ask the question whether it is net profit or gross profit involved.

The CHAIRMAN: I would simply say this, that apart from the question of the meeting, it did seem to me that the line of questioning that Mr. Maybank was pursuing could lead to something and was perhaps a worthwhile channel, but I repeat for the third time what we have before us is that the A & P Company bake and sell bread at a profit at 10 cents. You cannot offer us any evidence?

The WITNESS: Not at the moment.

The CHAIRMAN: I suggest we leave that alone. All we are interested in is evidence.

Mr. MAYBANK: We are asking the witness to come back with evidence of the incorrectness of the A & P evidence on that point.

Mr. HOMUTH: Well, now . . .

Mr. MAYBANK: I understand . . .

The CHAIRMAN: Let us not get into an argument. Order.

Mr. HOMUTH: He said incorrectness . . .

The CHAIRMAN: Order, order, Mr. Homuth. We will not pursue this any further. This witness has no evidence. It may come in later. Can we not leave it at that? He knows what we want. He will get that evidence if he can and we will give it a proper appraisal.

Mr. FLEMING: I have one observation on that.

The CHAIRMAN: I think we are wasting a lot of time this morning.

Mr. FLEMING: I entirely agree with what you say as to that, but I want to say that even though further evidence does come in from the Ontario Bakers Association I do not see how that can establish the question conclusively. The only place where it can be established conclusively, whether the A & P in their operation of baking bread and retailing it is operating at profit or a loss, is by critical examination of the A & P Company's books.

The CHAIRMAN: We have already dealt with that.

Mr. FLEMING: I think we have to leave it at that.

The CHAIRMAN: We will get Mr. Wilson to make that examination and report.

The WITNESS: That is what I wanted to say myself.

Mr. BEAUDRY: The witness has stated that the difference of 1 cent between the baking price of the A & P and their sale price, retail sale price, involved in the opinion of the Ontario bakers such a small percentage of margin through added expense of transportation, etc., that in their opinion the operation represents that of a loss leader.

I should like to bring out that in earlier evidence at page 360 of the record we have had evidence from Loblaw's pointing out that on quite a few of the commodities which they sell the gross margin is considerably lower than that of 10 per cent which the A & P show as between their cost and retail price on bread, and in spite of that Loblaw's claim they make a profit. Therefore I do not think we should countenance at first sight or perhaps even at second sight that the A & P cannot make a profit on a 10 per cent margin whereas Loblaw's are in many cases with a 4 or 5 per cent margin.

The CHAIRMAN: All I can say is that the evidence before us—and we are only going to take evidence—in spite of what Colonel Ruttan said this morning is that bread is being sold at 10 cents with a profit. We are going to check that sort of thing, but that is the evidence to date. I suggest we drop this matter unless we have got further evidence. Does anyone wish to question Colonel Ruttan?

Mr. LESAGE: I have had some questions since 11 o'clock.

By Mr. Lesage:

Q. Was General Bakeries represented at the Ontario Bakers Association meeting on the 3rd of March?—A. I cannot answer you that offhand. I would have to see the record.

Q. Then I will make only one observation because they are selling Richmello bread at 9 cents—

Mr. HARKNESS: Ten cents.

Mr. LESAGE: Nine cents to retailers, Dominion Stores. At page 620 of the evidence Mr. MacDonald, the Secretary-Treasurer, shows by his answers they are making money on that bread at 9 cents.

The CHAIRMAN: Have you those questions and answers there?

Mr. LESAGE: It is page 620. I would like the witness to examine that.

Mr. FLEMING: What advantage is there in that?

The CHAIRMAN: Let us see. We do not know.

Mr. HOMUTH: How can Colonel Ruttan answer questions as to certain companies making a profit or a loss?

Mr. LESAGE: No.

Mr. JOHNSTON: He has been doing that with A. and P.

The CHAIRMAN: You see he has said that very thing.

Mr. HOMUTH: No, he said in a general statement they had but he has produced no proof of it. How could he do it for anything else?

The CHAIRMAN: I think this question is all right. We have dealt with the A. and P. situation. Mr. Lesage wishes to bring that forward in bold relief. I think that is all right. We will see what the answer is now.

Mr. HOMUTH: I do not think it is.

By Mr. Lesage:

Q. The witness has said that the opinion of the members of the association was that selling bread at 10 cents constituted a loss leader. General Bakeries are selling bread at 9 cents to retailers, and I can draw the conclusion from the answers to the questions given by Mr. MacDonald on pages 610 to 620 of the evidence that the difference in price between Richmello and the other brands arises only from the cost of delivery and other factors, and on the whole General Bakeries is showing a profit on its operations?—A. I think you will find General Bakeries are meeting the competition of the 10-cent loaf.

Q. If you read page 620 you will find there is more than that to it. There is something I do not quite grasp. You said in your brief that Mr. Beebe in answer to you said that they were not selling at a loss and that even if they were—would you read that sentence again?—A. I will tell you exactly what he said.

Q. I do not see any relation in the last part of the answer.—A. Mr. Beebe replied that they were not selling at a loss and added that even if they were, in view of a further recent drop in the price of flour, there was nothing that he could do about it.

Q. I do not see what the recent decrease in the price of flour has to do with the answer. Can you explain that to me?—A. I thought I saw it.

Q. Pardon me?—A. I thought it seemed a logical answer. I agreed with him at the time.

The CHAIRMAN: Just answer the question. Will you explain it to him?

By Mr. Lesage:

Q. Can you explain to me how it is logical? Explain it to me—A. I thought it was logical.

By the Chairman:

Q. Explain why you think it is logical. Why do you believe it is logical.

By Mr. Lesage:

Q. Why do you think it is logical? That is my question. Show me the logic in it, in other words.

The CHAIRMAN: I guess—

The WITNESS: Just a minute.

Mr. LESAGE: I do not see any logic.

The CHAIRMAN: That will be a matter for argument. If he cannot tell us we will have to draw our own conclusions.

The WITNESS: My conclusion was the general position he would be in at that time—

By Mr. Lesage:

Q. Pardon?—A. The position he would be in at that time. Suppose he was selling at a loss and he raised his price at that time; he felt presumably that the time was not opportune to do anything of the kind.

Q. There was no question of an increase in the price of his loaves in his answer?—A. Pardon?

Q. There was no question of an increase in the price of his bread in his answer to you?—A. No, but if he was selling as a loss leader, if he admitted he was selling bread as a loss leader would there not be a question—

The CHAIRMAN: I am finding it terribly difficult to listen to the evidence when there are conversations going on. I am going to ask members of the committee to listen to the evidence and carry on no private conversations. Carry on now.

Mr. LESAGE: Would you please explain to me the logic of the answer? I do not see any logic in it.

Mr. HOMUTH: Is there any logic in anything this committee has done?

The CHAIRMAN: Order.

Mr. LESAGE: No, not in what you have said up to now.

Mr. HOMUTH: Or you.

Mr. LESAGE: Not in your questioning because you are making statements all the time.

Mr. FLEMING: On a point of order, and in the hope of expediting things, I think in all fairness it is not a proper question to ask the witness the logic of something that somebody else has said. It is quite proper to ask him about the conversation and get every element of the conversation that occurred on this occasion.

Mr. WINTERS: The witness says it is logical.

The WITNESS: I said it seemed logical to me at the time.

Mr. LESAGE: Does it seem logical to you now?

The CHAIRMAN: Order. Mr. Lesage has asked him to explain his position, the reason why he said it was logical. This witness is not able to give you the answer and I think you ought to leave it there. We will have to draw our own deductions.

Mr. JOHNSTON: I have one request to make of yourself. You suggested, Mr. Chairman, that you thought the time was opportune now to ask our auditors to go in and check up on this company. I suggest to you we should not only proceed with that investigation with regard to A & P but we should also make preparations now—

The CHAIRMAN: Oh, yes.

Mr. JOHNSTON: —to have our auditors go into other companies.

The CHAIRMAN: Counsel is making a suggestion to the steering committee tomorrow. He will be ready to submit that tomorrow and we will let the matter rest now.

Mr. JOHNSTON: In regard to this question.

The CHAIRMAN: Regarding the procedure.

Mr. MAYHEW: May I make a suggestion regarding that. I said I thought we should have the evidence that is now before us in tabulated form. That can be put before us to give the rest of us a little chance to see it more clearly, but if in the meantime the auditors feel they want to go into these other places to get audited statements—

The CHAIRMAN: That is going to be done. We have already decided that.

Mr. MAYHEW: Pardon me, you have not. You have decided to send auditors in to get—

The CHAIRMAN: We have decided to get that statement mentioned a while ago. It was agreed we would do that. It seems to me that unless there are other questions there is no sense keeping this witness any longer. I would have thought there was a line of questioning that might have been very useful but it has not been touched upon with this witness.

Mr. IRVINE: I have one question but I do not know whether it is useful.

Mr. HOMUTH: Tell us what the line is.

Mr. IRVINE: May I ask one question before you make your final decision?

The CHAIRMAN: Yes.

By Mr. Irvine:

Q. Colonel Ruttan, am I correct in saying that in the earlier part of your statement made this morning you said it had been the opinion of the bakers for years that A & P had been selling 10-cent bread as a loss leader? Is that correct?—A. Yes, sir.

Q. You said that?—A. Yes.

Q. Were you aware of that yourself for years?—A. No, I was not so actively engaged in it at that time, but taking the quotation I read you from that investigation in 1931 it states that bread was being sold at a loss, and from then on—

Q. Did you have any suspicion that the A & P were selling this 10-cent loaf as a loss leader while you were an officer of the board?—A. The price of bread then was subsidized, flour rather—

Mr. LESAGE: The price of—

The CHAIRMAN: Order. Mr. Irvine has asked a question. I think that the interrogator ought to be allowed some freedom. He is asking a very important question. I do not think he should receive any interruption. I am suggesting to the witness he has not answered Mr. Irvine's question.

The WITNESS: I did not have a chance, sir.

The CHAIRMAN: All right, now. Let us get the answer.

The WITNESS: Flour was subsidized, as you know, at that time. Flour was subsidized at that time, and I believe the A & P sale price in Toronto was two loaves for 15 cents, and I do believe there was a general opinion even at that time that the price was a very low price in view of their costs.

By Mr. Irvine:

Q. You say the opinion even then was that they were selling the 10-cent loaf as a loss leader.—A. I would want to consult more bakeries before I committed myself generally on that, but I think so.

By the Chairman:

Q. What is your answer? You think so in one breath and then you say you want to consult more bakers.—A. Yes, I think so, but I want to be sure.

Q. Do not say anything about which you are not sure? Now what is your answer to the question?—A. I think so.

By Mr. Irvine:

Q. You think so. Well, they are perfectly sure of it now, are they not? The bakers are perfectly sure now it is being sold as a loss leader?—A. The bakers feel satisfied that is the case and they desire government investigation to ascertain the facts.

Q. The bakers have been sure now for some years, many years?—A. Yes, I quoted you the actual evidence of the commission which stated they were selling bread at a loss.

Q. Which commission was that?

Mr. HOMUTH: The McGregor commission.

The CHAIRMAN: Yes, the McGregor commission.

The WITNESS: Of 1931. Investigation into an alleged combine in the bread baking industry in Canada reported by the registrar on February 5, 1931, in which he says:

Chain store competition, even though much of it has been below cost, supplemented by competition of smaller low cost bakers all over the country, has made itself felt.

Mr. IRVINE: Would you not suppose the board, in that case, would have prosecuted them under the act for unfair competition?

The WITNESS: The board was particularly interested in seeing that the price of bread did not exceed the ceilings as they were established at the basic period, at September 1941.

Mr. IRVINE: Have the bakers ever contemplated, or are they contemplating now, laying a charge against the A & P and the others who were selling a 10-cent loaf, on the ground they are selling that as a loss leader?

The WITNESS: No, that is not the attitude of the bakers. The attitude of the bakers is that they should appear before this committee to ascertain how the committee can go about making an investigation to see what the facts really are.

By the Chairman:

Q. I have several questions I want to ask you, Mr. Ruttan. First of all you mention in your evidence you had employed counsel?—A. No, I did not say we had; I said I was instructed.

Q. But you have not obtained counsel?—A. No, sir, but I—

Q. That is all right, you have not obtained counsel.—A. Well, wait a minute sir—

Q. You must not make a speech every time a question is put. Either you have or you have not. Now I have a telegram here which you may have heard me read out this morning to the committee. It is addressed to me as chairman of this committee and reads as follows:

Due to the reduction of $\frac{1}{2}$ cent on our cost of bread and also due to the request of your committee we have changed our selling price on bread today from fourteen cents to thirteen cents in all our stores.

John B. Parent,
Dionne Limited.

Now, would you have any comment to make about that telegram?—A. How much discount did he get, sir? How much was the price reduced?

Q. I have just read the telegram out to you and it says " $\frac{1}{2}$ cent in our cost of bread"—A. In what respect do you mean me to comment?

Q. What do you say about that? He is reducing his selling price of bread from 14 to 13 cents in all their stores, and, having in mind your experience in the baking business, I just want to know what you have to say? Is that demoralizing the industry, for instance?—A. A drop in his price of 1 cent?

Q. Well, obviously. Is that demoralizing the industry?—A. Not on the face of the simple assertion that he is paying less for it, but I do not know anything about the circumstances in Montreal and I cannot answer that.

Q. You were in the committee the other day when he gave evidence?—A. Yes, but I did not follow it very closely. I heard some of it, no doubt.

Q. You did not follow the evidence?—A. Not very carefully.

Q. You have no further comment to offer on that?—A. No.

Q. I understand that although you had been a witness and were present you now say that you did not follow the evidence closely. Well, I have another question. Some bread is being sold in the stores at 14 cents. That same bread is being sold at 14 cents when delivered by the baker to the consumer. Now can you tell this committee why the same, bread sold in the store at 14 cents when called for, should sell at 14 cents when it is delivered?—A. No, except that has been the constant practice always.

Q. That is the only answer you can give?—A. Yes, it is.

Q. That is the only answer you can give? Is that what I understand?—A. Yes, that is the only answer I can give.

Q. Now, I have another question. Can you give us any figures as to the cost of delivery.—A. Not personally, but I am sure the bakers can.

Q. Well, you cannot give us any information now. I see. This morning you spoke about the desirability of a cost accounting system, or cost accounting technique, as applied to the cost of bread delivery. Do you know whether or not those costs can be obtained?—A. Delivery costs?

Q. Yes?—A. Yes, from each individual company.

Q. From each individual company, I see. Well, you did speak about the necessity of a cost accounting system with regard to delivery, and what did you mean?—A. I just do not follow you.

Q. Well, are there any other questions?

Mr. FLEMING: Yes, Mr. Chairman.

By Mr. Fleming:

Q. I have one or two questions prompted by Mr. Irvine's questions. He was asking you to talk as an officer of the government, namely the administrator of bread and bakery production, with reference to the retail sale of the 24-ounce loaf at 10 cents. Do you recall that the bread we are speaking of now, the loaf that is selling at 10 cents with perhaps some difference in quality, was selling at 2 for 15 cents up until late in September. I think in practically all cases that 2 for 15 cent loaf was advanced in price to 10 cents a loaf late in September. The date of the advance varied with the different producers but it was late in September.—A. I think so.

Q. How long did you continue as administrator after that date?—A. Until the end of October. I was through at the end of October.

Q. So this 10-cent price was in effect, on an average, for five weeks while you were administrator?—A. Yes, but remember decontrol took place about September 15 and after that the bakers established their own price.

Q. Well this cheaper loaf was selling at 2 for 15 cents during the war. Did you ever have complaints from the bakers then as to the adequacy of the price?—A. Yes, I said I believe I did, but I would like to look at the records to be sure of those things.

Q. Were complaints about the A & P sale price made then on the basis of a loss leader—with respect to the 2 for 15 cent loaf?—A. I believe they were for some time back.

Q. Now dealing with this last point the chairman has asked you about, this wire from Mr. Parent of Dionne Bakeries Limited in Montreal, I understand that your association is an Ontario association?—A. Yes.

Q. Did you ever talk to any of the Montreal bakers?—A. No, we have nothing to do with the Montreal district.

Q. Have you yourself had occasion to make any studies of the price situation in Montreal?—A. No, I have not.

Q. Since you ceased to be administrator?—A. I did in those days, yes.

Q. Since you ceased to be administrator?—A. No.

Q. Do I understand that you are not in touch with the price situation in Montreal in the last few months?—A. That is correct.

By the Chairman:

Q. If you were told for instance this afternoon that an Ontario company had changed its price from 14 to 13 cents what would you say?—A. I think we have got examples of that,—

Q. What would you say?—A. The Pickering Farms—and what would I say about that price?

Q. Yes.—A. I would think in view of the existing circumstances—

Q. I am not talking of Pickering Farms by the way.—A. I would think in view of the existing circumstances there was something wrong with anybody reducing the price.

Q. You would say that they could not do it.—A. I am not talking about anybody, if a dealer has reduced cost, or if somebody gives the dealer a greater margin, then of course the dealer can do it.

Q. Are you willing to make a distinction between the large bakers and the small bakers when you say that?—A. This was a question of a dealer and not a baker.

Q. No, I am talking about bakers, and I have been talking about bakers all along.—A. About bakers reducing the prices?

Q. Let us go back to the beginning. Just answer my question and nothing more. If you were told this afternoon that a baker announced he would reduce his price from 14 cents to 13 cents what would you say about that?—A. I would be very much surprised.

Q. Now when you make that reply do you distinguish between large and small bakers? Let me put it this way? In the case of the small bakers in some of these small towns, and even the larger cities, their cost situation is a different cost situation from that which attends the operation of bakers like Canada Bread, Christie's and so on?—A. Undoubtedly there are different conditions.

Q. All right. Well even if a large baker, let us say in the category of Christie's, without mentioning them particularly, reduced the cost of bread to a selling price of 13 cents, could they afford to do so?—A. I think you better ask Christie's.

Mr. HOMUTH: How can you ask him that?

By the Chairman:

Q. But you have already said in your judgment no baker could afford to lower the prices from 14 to 13 cents, having in mind the cost situation?—A. Sir, there is a difference because Christie's is strictly a wholesale concern.

Q. Yes.—A. If it were a baker delivering to the housewife who reduced that price from 14 to 13 cents that would be surprising. Christie's Bread do not sell to the housewife.

Q. I took a wrong example then in Christie's. I will take Canada Bread.

Mr. FLEMING: May I ask you, Mr. Chairman, following the questions and answers given, whether Christie's Bread is mentioned in the wire?

The CHAIRMAN: We have dropped the wire, and I am confining myself to an Ontario case.

Mr. FLEMING: Does the wire say whose bread is concerned?

Mr. LESAGE: What about G.B., General Bakeries?

By the Chairman:

Q. This is important, Colonel. Please forget Christie's and think of a baker that sells directly to the consumer. That baker's cost situation is different from the cost situation of the little baker in the small town or city. You have said that.—A. I presume there are certain conditions which would alter circumstances.

Q. Yes, volume and so on. Now when you say there could not be a reduction from 14 to 13 cents because of the cost factor, does your answer apply to both the large and the small baker?—A. I would say normally yes, but there may be exceptions to every condition.

Q. You would not say the large baker could afford to sell bread at say a cent less?

Mr. HOMUTH: Oh well—

The WITNESS: I would not like to make any such statement at all.

By the Chairman:

Q. What would be your reply to that question?—A. Whether he could afford to sell the bread at a cent less than the others?

Q. Whether the large baker could afford to reduce bread from 14 to 13 cents?—A. Again I would be very much surprised. He could not.

Q. You say he could not.

By Mr. Fleming:

Q. Colonel Ruttan, did you have any information about this reduction of price in Montreal, apart from what you have heard this morning or what you heard said in evidence the other day?—A. No, I have not heard anything at all about it.

Q. Do you know whose bread Mr. Parent of Dionnes handles?—A. No, I am sorry I do not know the first thing about it.

Mr. HARKNESS: Harrison Brothers bread.

Mr. FLEMING: There is reference in the evidence to Harrison Brothers but I wondered if that was clear. There is a suggestion in the wire there of a reduction of half a cent in our cost of bread, that is the cost to Dionne Limited, and he says he is reducing the price to his purchasers by 1 cent.

The WITNESS: I am not in a position really to comment on that. I do not know what the details are.

Mr. HOMUTH: If they reduced the price 3 or 4 cents they would be giving the bread away. He gets a reduction of $\frac{1}{2}$ cent and gives the customer a reduction of 1 cent.

By Mr. Fleming:

Q. Do you happen to know how long Christie's have been on the Montreal market?—A. No, but it is quite recent.

Q. They are newly in the Montreal market?—A. Yes.

Q. They are strictly a wholesale business?—A. Right.

Mr. LESAGE: I have only one question. Did you not say while you were reading, and I would like you to check this, that "it seems to the bakers that bread at 10 cents cannot be anything but a loss leader".

The CHAIRMAN: He is trying to find out what you said.

The WITNESS: I am sorry, but I will have to go through the whole statement.

Mr. LESAGE: Let it go; the record will show what was said.

The CHAIRMAN: Are there any other questions?

By Mr. MacInnis:

Q. I should like to ask the witness one more question. I believe he referred to a statement made by Mr. Earwaker, that the bakers were selling below cost at present prices; something to that effect. I should like to ask the witness if he has examined or compared the delivery costs of Consolidated Bakers with the delivery costs of the A & P?—A. No, I have not.

Q. Supposing I draw to your attention that, in Exhibit 42, the Consolidated Bakers gave to this committee their delivery costs as, salaries and wages, 2.48 cents and other delivery expenses as 1.65 cents which makes a total of 4.13. On page 702 of the minutes of evidence, Mr. Burdon, I think it was, gave the A & P costs as .42 cents?—A. Yes.

Q. Now, should that not make quite a difference in the sale price of the loaf, without necessitating selling it below cost?—A. It would make a great difference. The one has salaries and wages for the people—

Q. I suppose both have the same items. There would be transportation from the A & P bakery to the stores, and that is all their delivery charge?—A. Delivery to their stores only; this 4.13 includes delivery to the consumer.

Q. It includes all their delivery costs, the cost on a 1½ pound loaf of Wonder Bread. In making any comparison, you have to take into consideration the A & P method of selling and delivering bread?

Mr. HOMUTH: Again, I submit that this witness is in no position to give the costs of delivery of the individual companies; I do not think he can do it. I realize that the question is quite reasonable, but I do not think this witness can give that evidence.

Mr. MACINNIS: I agree that he may not have the evidence, but he made comparisons himself and pointed out that the A & P could not sell at the price at which they are selling without selling below cost; that is his statement.

The WITNESS: In the opinion of the bakers; we wish to make representations to your organization to see that that phase of the situation is thoroughly studied.

The CHAIRMAN: Unless there are further questions of this witness, Mr. Dyde is anxious to present a statement made up by the Canada Bread Company, so that the members of the committee can study it before the Canada Bread witness is called at 4 o'clock.

Mr. HOMUTH: What is it, a financial statement?

Mr. DYDE: It is a brief, with a breakdown of the figures similar to that presented by the Consolidated Bakeries.

Mr. FLEMING: Let us just take it quickly, now.

Albert Victor Loftus, President and General Manager, Canada Bread Company, called and sworn:

By Mr. Dyde:

Q. Mr. Loftus, will you give the committee your full name?—A. Albert Victor Loftus.

Q. Your address?—A. 21 Ava Road, Forest Hill.

Q. Your occupation?—A. General Manager and President of the Canada Bread Company, Canada.

Q. You have been asked to produce and have produced a brief with respect to the operations of Canada Bread, to put before this committee?—A. I have.

Q. I understand you have made a number of copies and they are available for the committee?—A. I have.

Mr. DYDE: I should like to accept that, Mr. Chairman, and it will be referred to more fully later on.

The CHAIRMAN: This will be Exhibit 44. The meeting is adjourned until 4 o'clock.

EXHIBIT No. 44: Canada Bread Company Limited brief and other statements.

AFTERNOON SESSION

The committee resumed at 4 o'clock p.m. The Vice-Chairman, R. W. Maybank, presided.

The VICE-CHAIRMAN: Come to order, gentlemen. I see a quorum.

Albert Victor Loftus, President and General Manager, Canada Bread Company, recalled:

Mr. DYDE: Mr. Chairman, I would like to have Mr. Antliff sworn. He is an officer of the company and I think it would be convenient.

The VICE-CHAIRMAN: All right, Mr. Dyde.

By Mr. Dyde:

Q. What is your full name, please, Mr. Antliff?—A. William Shaw Antliff.

Q. What is your address?—A. 23 Rochester Avenue, Toronto.

Q. What is your position with the company?—A. Assistant general manager and treasurer.

William Shaw Antliff, Assistant Manager and Treasurer, Canada Bread Company Limited, sworn:

Mr. DYDE: Mr. Loftus, in addition to this Exhibit 44, which you put in this morning, I understand that you are able to provide the committee with annual statements of the Canada Bread Company Limited from 1938 to 1947 inclusive?

Mr. LOFTUS: That is right.

Mr. DYDE: As these are all fastened together in groups, Mr. Chairman, think we might exhibit them as one exhibit, which will be Exhibit 45, ten annual reports.

EXHIBIT No. 45: Annual reports of Canada Bread Company Limited 1938 to 1947. (See Appendix)

The VICE-CHAIRMAN: Going back from 1947 for ten years?

Mr. DYDE: Yes. Mr. Loftus, I notice that in Exhibit 44 there is a statement addressed to the members of the committee and I understand that you would like to read that statement to the committee. Will you please do that.

The VICE-CHAIRMAN: Order, please gentlemen.

Mr. LOFTUS:

SCHEDULE I
February 28, 1948

To The Members of
The Select Committee on Prices,
House of Commons,
Ottawa, Ontario.

Gentlemen:

In this brief I shall present for your information a number of pertinent facts which I hope will prove helpful in assisting you to evaluate the reason for and justification of the increase in bread prices since September 1, 1947. These facts relate directly to the Canada Bread Company, of which I am president, but the trends reflected will probably apply in modified degree to the bread industry as a whole. In summarized form, the information which I would respectfully draw to your attention is as follows:

Background of Canada Bread Company Limited

- (a) In existence since 1911—operates 19 bakeries in Ontario, Quebec and Manitoba.
- (b) 99 per cent Canadian ownership—has 2,700 employees and an annual payroll of over \$5,000,000.
- (c) Fairness to public has been proven by small earnings per dollar of sales for many years past. This is corroborated by financial statements filed for the years 1938 to 1947. Exhibit "A" relates the annual earnings shown in these reports to volume of sales.
- (d) Capital structure—\$3,275,000 in preference and common shares on which annual dividends of \$172,500 have been paid since September 1945. On issued capital this is equivalent to 5.27 per cent. On capital and surplus for the year ended June 30, 1947, it is equivalent to 4.08 per cent.
- (e) Highly competitive conditions in the bread industry prevent undue profiteering. Last report on the bread industry issued by the Bureau of Statistics in 1947 shows that 2,230 bakery establishments are operating in the provinces of Ontario, Quebec and Manitoba.

Mr. IRVINE: Mr. Chairman, I am sorry to interrupt, but I think there is something lacking in the background of your company; and the question is whether I should ask questions now on that matter or leave it until after the statement is read.

The VICE-CHAIRMAN: I believe it would be better if you left it until the witness has concluded this statement which we asked him to give as a preliminary.

Mr. IRVINE: Yes.

Mr. LOFTUS:

Conditions Applicable to the Years 1939 to 1947

In August 1939, Canada Bread Company were paying \$3.20 per barrel for 2nd patent flour. Bread prices on regular brands of bread were at such time 10 cents per 24 oz. loaf.

I would like you to get that, gentlemen; because later on there is an increase, that is previous to stabilization.

Prior to wartime control of prices being imposed in September 1941, flour costs had risen 95 cents per barrel to \$4.15 with no change in selling price of bread. This increased flour cost was equivalent to one half cent per 24 oz. loaf and the profit margin on Canada Bread sales in the year ended June 30, 1941 dropped to 3.09 per cent from a margin of 8.03 per cent shown for the year ended June 30, 1939. Expanding volume over the years from 1942 to 1947 was sufficient to substantially offset higher ingredient and other costs (Exhibit "B") and maintain a profit per dollar of sales which fluctuated from a high of 4.85 per cent for the year ended June 30, 1944 to a low of 3.37 per cent for the year ended June 30, 1947. Around the middle of 1947 high costs were making it increasingly difficult to continue operating with a profit margin. In August 1947 the percentage rate of net profit to sales was less than 1 per cent (.9 per cent). Additional higher costs which were constantly being added as controls came off, made it apparent that the selling price of 10 cents per loaf which had stood since prewar could no longer be maintained and the bread administrator under the Wartime Prices and Trade Board was approached in July and August 1947 regarding an upward revision of prices. He requested, however, that the matter be left in abeyance as there was a possibility the subsidy on flour might be removed and the price ceiling on bakery products eliminated.

*Justification for price Increase to 13 cents Per 24 Oz. Loaf at
September 18-22, 1947*

And in Certain Areas to 14 cents at January 27, 1948

- (a) Immediately prior to September 15, 1947 bakery operations were unprofitable due to rising costs and fixed selling prices. Canada Bread margin of profit in relation to sales in August 1947 was .9 per cent. An additional cent per loaf was justified and required without reference to subsidy removals.
- (b) Removal of flour subsidy on September 15, 1947 increased flour costs from \$4.10 to \$8.15 per barrel. This increase added the equivalent of 2.13 cents to the basic cost of a 24 oz. loaf of bread. (Based on 190 loaves of 24 oz. bread per barrel of flour).
- (c) Due to the pressure of rising costs of living, the company considered it unfair to its staff of delivery salesmen to reduce the rate of commission paid on sales. This added a further delivery cost equivalent to at least .35 cents per 24 oz. loaf.
- (d) Prior to the removal of wartime wage regulations the remuneration paid to bakery and office employees had of necessity been kept to a basis which inadequately reflected the rising cost of living. Loyal employees were under constant economic pressure to leave the company's employ and operating efficiency was as a consequence being seriously impaired by frequency of turnover. Modest wage revisions were an absolute necessity, thoroughly justified and given effect to in mid-September. The increased cost reflected in a loaf of bread was approximately .10 cents per loaf.
- (e) The rising trend of prices of ingredients and supplies entering into the cost of producing and distributing bakery products continued to move upwards during September 1947 and succeeding weeks. Examples might be cited as follows: Yeast up 16 to 17 cents a pound; arkady—

Mr. IRVINE: What is that?

The WITNESS: Arkady is a yeast improver.

—up $6\frac{1}{2}$ to $7\frac{1}{2}$ cents per pound; salt up \$8.95 to \$13.20 per ton; bread wrapping up 17.65 to 18.55 cents per pound; bread cartons up 17.99 to 18.91 cents per pound; coke up \$15.50 to \$17.25 per ton; fuel oil up 10.4 to 11.15 cents per gallon; hay up \$22.00 to \$26.00 per ton; gasoline up $26\frac{1}{2}$ to $30\frac{1}{2}$ cents per gallon; bran up \$27.00 to \$48.00 per ton.

That is all from September, I might say.

(f) As increasing supplies of fats, sugar and other ingredients became available in September 1947 and succeeding weeks, the formulæ used for regular branded loaves was enriched. This produced a superior product but added from $\frac{1}{4}$ to $\frac{1}{2}$ a cent to the cost per loaf.

The foregoing adjustments referred to in (b) (c) (d) (e) and (f) reflect a higher cost of at least 3 cents per 24 oz. loaf. Having in mind the reference in (a) to conditions prevailing in August 1947, it was apparent that an increase to 14 cents per 24 oz. loaf was justified at September 15, 1947 in order to maintain a small but reasonable margin of net profit of under 1 cent per loaf. We eventually decided, however, that a 13 cent price could be maintained on a temporary basis due to the advantage accruing from a 5 week supply of cheap flour in stock at September 15, 1947. As a consequence of this decision, a 13 cent price was established at all plants within a week of the lifting of the flour subsidy and the further revision upward to 14 cents did not take place until the last week of January 1948. The small average ratio of profit to sales over the six months to January 31, 1948 is reflected in the statement filed herewith (Exhibit "C").

Conclusion

Canada Bread Company Limited has been serving Canadians for 37 years. During this time it has been our aim to keep our reputation high. We believe we have been successful; we intend to keep it that way in the future. Our policy is to give the Canadian people the best quality bread at reasonable prices. As president of this company, I will say that we will never profiteer. We also wish to be fair to the men and women of our organization; who number close to 3,000 and the only way we can be fair to them is by being fair to the public.

The VICE-CHAIRMAN: I think, perhaps, this is the place at which Mr. Irvine wanted to ask some questions, unless that interferes with the course you had in mind, Mr. Dyde.

Mr. DYDE: I think you might put your questions, Mr. Irvine.

Mr. IRVINE: Then I should like to ask Mr. Loftus; is your company a subsidiary of the Maple Leaf Milling Company?

Mr. LOFTUS: Definitely.

Mr. IRVINE: It is a wholly-owned subsidiary?

Mr. LOFTUS: They have the controlling stock.

Mr. IRVINE: How many shares does the Maple Leaf Milling Company own?

Mr. LOFTUS: You will find that on Schedule 12.

Mr. FLEMING: Mr. Chairman, I think we had better leave that and take these sections as they come, otherwise we will be terribly confused.

The VICE-CHAIRMAN: Quite possibly, but it was not apparent until this moment that the matter Mr. Irvine had in mind is dealt with a little further back. You will agree that we might take that up when we reach it later on. Mr. Irvine?

Mr. IRVINE: Yes. I had not had time to go that far.

The VICE-CHAIRMAN: Quite right. I think the questions you wanted to ask are taken care, disposed of further on in this statement.

Mr. IRVINE: I think perhaps some of the other things I wanted to ask may not be disclosed here, but if they are not no doubt I will have a chance to bring them to attention.

The VICE-CHAIRMAN: Well, how about allowing Mr. Dyde to go along now, and then if there be something we will come to it.

Mr. LESAGE: I have only one question. I do not know whether it would be in order to ask it now or not, you will tell me if it is not.

The VICE-CHAIRMAN: You ask it and we will see if it is proper to deal with it now or not.

Mr. LESAGE: Mr. Loftus, you said that the issued capital, or I should say the annual dividend paid in September of 1945, was equivalent to 5.21. But if I look at your financial statement for 1947, your balance sheet as at the 30th of June, 1947, I see that your net profit for the year was \$317,022.09 which would be very nearly 10 per cent on your invested capital. Is that correct?

Mr. LOFTUS: I think I would like Mr. Antliff to answer the question.

Mr. LESAGE: Yes.

Mr. ANTLIFF: Mr. Chairman and gentlemen, the statement speaks for itself.

Mr. LESAGE: I am asking you if that is correct. I am asking you if what I have just said is correct.

Mr. ANTLIFF: That the earned profit is approximately 10 per cent of the issued capital?

Mr. LESAGE: Of the invested capital.

Mr. ANTLIFF: Correct.

Mr. LESAGE: For the year ending June 30, 1947?

Mr. ANTLIFF: That is correct.

The VICE-CHAIRMAN: All right, Mr. Dyde.

Mr. DYDE: I think, Mr. Chairman, that for the moment at least we may go through the report page by page, and there are some pages I want to ask one or two extended questions on, but I will let you gentlemen know at once if there is anything I am not particularly going to ask about so that it will give members of the committee an opportunity to ask questions in that way.

The VICE-CHAIRMAN: There are two matters I want to mention. The first one is that you suggest that you will go over this page by page, and that if there is anything you have not covered and which relates to that page that should be dealt with by other members of the committee at that time.

Mr. DYDE: Yes.

The VICE-CHAIRMAN: That is that. The other matter is that Mr. Arsenault has pointed out to me it was not determined how this statement would go into the record. This is the sort of statement that I fancy you would want to go into the record as having been read entirely right now. Is that not correct?

Mr. FLEMING: Agreed.

Mr. JOHNSTON: You are classing it as exhibit 44.

The VICE-CHAIRMAN: The only question is as to whether it will be printed. If that is your view this will be printed as though it had been read into the record.

INDEX TO SCHEDULES ATTACHED

- I. Report from Mr. A. V. Loftus, President and General Manager.
- II. Exhibits "A" referred to in President's Report.—Statement of Profits, Sales and Percentage of Profits to Sales for each of the years ended June 30, 1938 to 1947 inclusive.
- III. Exhibit "B" referred to in President's Report.—Comparison of Prices paid for principal bread ingredients and other supplies in August, 1939, 1941 and 1947.
- IV. Exhibit "C" referred to in President's Report.—Breakdown of Cost Percentages embodied in each dollar of sales for each of the months August, 1947 to January, 1948, inclusive. (a) All Products (b) Bread (c) Cake and Sweet Goods.
- V. Comparison of Costs and Selling Prices.—Applicable to 24 oz. bread sold in Ontario and Quebec in January, 1948.
- VI. Volume of Bread Sales in Poundage and Value at Toronto, Montreal, Ottawa and all bakeries combined over each of the 13 months from January, 1947, to January, 1948, inclusive.
- VII. (a) Names of brands of bread sold in Toronto, Ottawa and Montreal.
(b) Relative sales volume of each brand.
(c) Relative proportion of sales of the 24 oz. loaf sliced.
(d) The retail and wholesale selling price per loaf of each brand Produced.
- VIII. Flour Cost Per Loaf at September 1, 1947, and subsequent dates on which a change was effected in the price of flour.
- IX. Formula adjustment effected in October, 1947, applicable to regular 24 oz. 13 cent bread and based on formulae in use at Bloor Street Bakery, Toronto.
- X. Prices of Flour Per barrel at September 1, 1947 and subsequent dates on which a change was effected in the price of flour.
- XI. Flour Inventory Position at September 15, 1947.
- XII. Share Capital of Canada Bread Company Limited at February 29, 1948.
- XIII. Average Weekly Wage Paid to Delivery Salesman at Toronto and Montreal during February 1941, 1945 and 1948.
- XIV. Analysis of Wage and Salary Expenditures For the Seven Months ended January 31, 1948.

SCHEDULE II—EXHIBIT "A"

CANADA BREAD COMPANY LIMITED

NET PROFIT REALIZED PER UNIT AND PER DOLLAR OF SALES
(Sales Unit—1 Loaf of Bread of 10c. Cake Volume)—1933 to 1947

Year ended June 30	Net profit exclusive of investment income and before income tax	Net sales value	Profit per dollars of sales	Units sold	Profit per unit of sales
			%		cents
1947.....	466,268	13,835,088	3.37	161,841,509	0.288
1946.....	480,858	12,481,077	3.85	149,132,641	0.322
1945.....	441,329	10,888,702	4.05	130,080,914	0.339
1944.....	518,971	10,703,068	4.85	128,369,071	0.404
1943.....	452,896	9,528,485	4.75	114,440,909	0.396
1942.....	302,875	8,048,095	3.76	97,965,786	0.309
1941.....	235,112	7,607,974	3.09	94,645,043	0.248
1940.....	277,796	6,911,631	4.02	87,077,747	0.319
1939.....	542,540	6,752,740	8.03	82,161,234	0.660
1938.....	329,257	6,689,244	4.92	76,561,248	0.430
Totals.....	4,047,902	93,446,104	4.33	1,122,276,102	0.361
Six Months to January 31st, 1948.....	218,100	7,767,503	2.81	81,712,490	0.267

SCHEDULE III—EXHIBIT "B"

COMPARISON OF PRICES PAID FOR PRINCIPAL BREAD INGREDIENTS
AND OTHER SUPPLIES
August 1939, 1941 and 1947.

		1939	1941	1947
Flour (2nd patent).....	Price per barrel (196 lbs.)....	\$ 3.20	\$ 4.15	\$ 4.15
Lard.....	Price per pound.....	8.5¢	11.5¢	22.0¢
Milk powder.....	Price per pound.....	8.5¢	10.5¢	14.5¢
Sugar.....	Price per pound.....	5.2¢	7.2¢	8.2¢
Malt extract.....	Price per pound.....	6.5¢	7¢	8.75¢
Yeast.....	Price per pound.....	16¢	16¢	16¢
Arkady.....	Price per pound.....	6½¢	6½¢	6½¢
Hay.....	Price per ton.....	\$12.00	\$16.00	\$22.00
Straw.....	Price per ton.....	\$ 8.00	\$10.00	\$15.00
Oats.....	Price per bushel.....	34¢	53¢	65¢
Gasoline.....	Price per gallon.....	21¢	28.5¢	28.5¢
Bread wrapping (wax paper).....	Price per pound.....	16.40¢	15.00¢	17.65¢

NOTE: Bread wrapping used in 1939 was of a superior quality of paper later discontinued due to war conditions. This superior paper was not in use in 1941 or 1947 and is not yet available.

SCHEDULE V

CANADA BREAD COMPANY LIMITED

ALL BAKERIES IN ONTARIO AND QUEBEC

Comparison of costs and selling prices for 24 oz. loaves—January 1948

	Average all sales	Regular brand house to house	Regular brands stores	"Cot- tage" bread	Second- ary brands house to house	Second- ary brands stores
Flour.....	3.74	3.71	3.71	3.83	3.83	3.83
Ingredients.....	1.27	1.43	1.43	0.80	0.80	0.80
Purchase discounts.....	0.05	0.05	0.05	0.05	0.05	0.05
Wrapping.....	0.52	0.52	0.52	0.52	0.52	0.52
Bakery wage and Production costs.....	1.80	1.80	1.80	1.80	1.80	1.80
Administrative Expenses— Office salaries, group insurance, Un- employment insurance, Insurance, municipal taxes, telephone, stationery, etc.....	0.78	0.78	0.78	0.78	0.78	0.78
Provision for depreciation on plant and equipment.....	0.31	0.31	0.31	0.31	0.31	0.31
	8.37	8.50	8.50	7.99	7.99	7.99
Delivery wage and distribution costs....	2.98	3.96	1.98	1.88	3.66	1.92
	11.35	12.46	10.48	9.87	11.65	9.91
Sales return per loaf.....	11.32	13.00	10.40	9.00	11.00	9.50
Average covers all plants other figures —Toronto only).....			(13.00)	(10.00)		(11.00)
Net profit or loss per loaf.....	0.03	0.54	0.08	0.87	0.65	0.41

Note: () Indicates Consumer Price Per Loaf.

SCHEDULE VI

CANADA BREAD COMPANY LIMITED

Volume of Bread Sales in Poundage and Value at Toronto, Montreal, Ottawa and all Bakeries Combined Over the Thirteen Months to January 31, 1948

Period covered	A		B		C		D	
	Toronto		Ottawa		Montreal		All Markets	
	Poundage	Value	Poundage	Value	Poundage	Value	Poundage	Value
1947	lbs.	\$ cts.	lbs.	\$ cts.	lbs.	\$ cts.	lbs.	\$ cts.
	2,626,874	158,645 20	746,957	44,414 01	1,544,478	86,615 35	10,760,778	640,082 94
	2,420,994	148,188 79	710,277	42,339 26	1,404,906	83,814 50	10,025,364	599,191 67
	2,569,703	185,560 57	777,499	46,369 20	1,583,650	91,933 31	10,712,964	645,760 17
	2,538,206	156,418 98	778,868	47,046 37	1,621,258	93,479 74	10,699,376	643,221 66
	2,819,778	174,088 55	875,079	52,964 79	1,769,840	102,022 39	11,815,553	715,184 35
	2,761,703	168,092 04	865,355	53,763 95	1,655,659	94,775 50	11,512,320	692,773 06
	2,951,950	176,021 05	902,375	55,369 23	1,643,430	93,693 10	12,097,204	721,043 71
	3,050,092	190,514 85	916,065	57,665 35	1,563,940	90,273 00	12,170,140	738,754 03
	2,836,403	194,694 88	847,728	57,025 20	1,506,405	100,925 76	11,342,394	773,520 61
	2,877,950	220,387 14	859,553	68,675 80	1,616,372	123,553 17	11,671,189	911,057 35
	2,650,774	210,559 29	800,359	63,639 92	1,509,228	115,447 93	10,767,406	852,883 07
1948	2,920,849	228,493 14	850,536	69,630 77	1,638,287	124,934 36	11,559,635	916,098 43
	2,846,928	225,546 27	789,807	63,338 16	1,475,226	113,995 78	11,013,120	885,844 90

(Brands of bread sold in Toronto, Ottawa and Montreal districts)

RETAIL AND WHOLESALE PRICES OF RESPECTIVE BRANDS

(Relative sales volume of each brand in these districts (week ending February 14, 1948))

	Weight	TORONTO		OTTAWA		MONTREAL		TORONTO		OTTAWA		MONTREAL	
		Retail Price	Wholesale Price	Retail Price	Wholesale Price	Retail Price	Wholesale Price	Relative Sales	Relative Sales	Relative Sales	Relative Sales	Relative Sales	Relative Sales
	oz.	cts.	cts.	cts.	cts.	cts.	cts.	%	%	%	%	%	%
Sandwich, white—Large—Sliced.....	48	.....	.....	.....	.....	30	27-0	.....	.....	.....	.....	.....	1-72
Sandwich, white—Large.....	48	28	23-0	26	22-0	28	25-0	3-67	1-65	.....	.....	.....	6-33
Sandwich, brown—Large.....	48	28	23-0	26	22-0	28	25-0	1-51	0-13	.....	.....	.....	0-86
C.B.4—Sliced.....	24	15	12-0	.....	.....	15	13-5	6-69	.....	.....	.....	.....	2-73
Sandwich, white—Sliced.....	24	15	12-0	.....	.....	15	13-5	3-41	.....	.....	.....	.....	8-67
Sandwich, brown—Sliced.....	24	15	12-0	.....	.....	15	13-5	0-18	.....	.....	.....	.....	0-38
Dr. Hall's whole wheat—Sliced.....	24	15	12-0	.....	.....	.....	.....	0-49	.....	.....	.....	.....	.....
Dr. Hall's cracked wheat—Sliced.....	24	15	12-0	.....	.....	.....	.....	0-29	.....	.....	.....	.....	.....
Butter nut.....	24	14	11-5	13	11-0	14	12-5	6-27	6-71	.....	.....	.....	4-63
C.B.4.....	24	14	11-5	13	11-0	14	12-5	18-60	15-24	.....	.....	.....	11-95
Tendercrust.....	24	14	11-5	.....	.....	.....	.....	6-29	.....	.....	.....	.....	.....
Sandwich—White.....	24	14	11-5	13	11-0	14	12-5	6-90	6-89	.....	.....	.....	10-08
Thrifty.....	24	14	11-5	.....	.....	.....	.....	8-34	.....	.....	.....	.....	.....
Cream scone.....	24	.....	.....	13	11-0	14	12-5	.....	37-92	.....	.....	.....	0-86
Buttermilk.....	24	.....	.....	13	11-0	.....	.....	.....	1-63	.....	.....	.....	.....
Parisian or Vienna sticks.....	24	14	11-5	14	12-0	14	12-5	1-34	0-40	.....	.....	.....	13-66
Dr. Hall's whole wheat.....	24	14	11-5	13	11-0	14	12-5	6-41	4-64	.....	.....	.....	3-14
Dr. Hall's cracked wheat.....	24	14	11-5	.....	.....	.....	.....	2-38	.....	.....	.....	.....	0-30
Sandwich, brown.....	24	14	11-5	.....	.....	14	12-5	0-68	.....	.....	.....	.....	2-83
Honey crushed wheat.....	24	.....	.....	13	11-0	.....	.....	.....	1-26	.....	.....	.....	.....
Mello meal.....	24	14	11-5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Soya flake.....	24	.....	.....	.....	.....	.....	.....	0-09	.....	.....	.....	.....	.....
Table Pride—White.....	24	12	10-5	12	10-5	12	11-0	3-85	7-19	.....	.....	.....	14-43
Majestic.....	24	.....	.....	11	9-5	.....	.....	.....	6-32	.....	.....	.....	.....
Army bread.....	24	.....	.....	11	9-75	.....	.....	.....	0-22	.....	.....	.....	.....

SCHEDULE VII

CANADA BREAD COMPANY LIMITED

(Brands of bread sold in Toronto, Ottawa and Montreal districts)

RETAIL AND WHOLESALE PRICES OF RESPECTIVE BRANDS—Cont.

(Relative sales volume of each brand in these districts (week ending February 14, 1948))

	Weight	TORONTO		OTTAWA		MONTREAL		TORONTO	Relative Sales	OTTAWA	Relative Sales	MONTREAL	Relative Sales
		Retail Price	Wholesale Price	Retail Price	Wholesale Price	Retail Price	Wholesale Price						
	oz.	cts.	cts.	cts.	cts.	cts.	cts.		%		%		%
Institution	24	12	10.5			12	11.0		0.20				12.72
Table Pride—Brown.	24												
Cottage bread—White.	24	10	9.0	10	9.0				13.92		5.35		
Cottage bread—Brown.	24	10	9.0	10	9.0				2.58		0.85		
Cottage bread—Cracked wheat.	24	10	9.0	10	9.0				1.10				
Country Club—White.	16	11	9.5	10	8.5				0.75		1.27		
Country Club—Brown.	16	11	9.5	10	8.5				0.23				
Cheese bread.	12	15	12.0	15	12.0	14	12.5		0.21		0.26		0.30
Cream loaf.	12	9	7.5			8	7.0		0.57		0.64		0.64
Malt bread.	12	12	9.6	13	11.0	14	12.5		2.33		0.98		3.13
Dr. Hall's and Mello Meal	12			9	7.5	8	7.0				0.58		0.59
Hovis.	12	9	7.5	9	7.5				0.52		0.51		
								100.00		100.00		100.00	100.00
Proportion sliced bread to total sales.								11.06					13.55
Proportion sliced bread to first quality bread sales.								14.99					19.85

SCHEDULE VIII

FLOUR COST PER LOAF AT SEPTEMBER 1, 1947 AND SUBSEQUENT DATES ON WHICH A CHANGE WAS EFFECTED IN THE PRICE OF FLOUR

	Toronto Cents per loaf	Ottawa and Montreal Cents per loaf
September 1, 1947	2.16	2.21
September 15, 1947	4.29	4.34
December 8, 1947	4.21	4.26
January 12, 1948	4.13	4.18
February 6, 1948	4.05	4.10

Applicable at Toronto, Ottawa and Montreal

Above calculations are based on a production of 190 loaves of 24 oz. bread from each barrel of flour (196 lbs.).

SCHEDULE IX

FORMULAE ADJUSTMENT EFFECTED OCTOBER, 1947
APPLICABLE TO REGULAR 24 OZ. 13 CENT BREAD
BASED ON FORMULAE USED AT BLOOR STREET BAKERY—TORONTO

	Before adjustment pounds	After adjustment pounds
Flour	600	600
Water	292	253
Yeast	6	10
Arkady	2	1 $\frac{1}{2}$
Malt flour	$\frac{3}{4}$	$\frac{1}{2}$
Milk	120	180
Fats	3	12
Salt	16 $\frac{1}{2}$	16 $\frac{1}{2}$
Sugar	9	18
Improver	3	....
Ingredient cost per loaf prior to adjustment of formula.....		4.50 cents
Ingredient cost per loaf after adjustment of formula.....		5.01 cents

Additional cost per loaf after adjustment..... .51 cents

SCHEDULE X

FLOUR PRICES PER BARREL AT SEPTEMBER 1, 1947. AND SUBSEQUENT DATES ON WHICH A CHANGE WAS EFFECTED IN THE PRICE OF FLOUR

(Based on deliveries of 2nd Patent Flour (jute or cotton bags))

September 1, 1947	\$4.10	per barrel (196 lbs.)
" 15, 1947	8.15	" " "
December 8, 1947	8.00	" " "
January 12, 1948	7.85	" " "
February 6, 1948	7.70	" " "

All above prices are subject to 10 cents per barrel cash discount. There is also a standard differential of 30 cents per barrel more for First Patent flour, "Cream of the West" while other grades such as "Nelson" and "Winnipeg" are bought at prices of 10 cents and 20 cents per barrel respectively below the basic second patent quotations. If paper bags are available, all the above prices are subject to a reduction of 40 cents per barrel.

The following provisions also apply:—

Toronto	"Delivered in" price
Brantford, Galt, Guelph, Chatham, Sarnia, Kingston, Cornwall.....	"F.O.B. Track"
Hamilton, London, Windsor, Ottawa and Montreal.....	"Delivered in"—10c premium per barrel
Kirkland Lake, Sudbury.....	"F.O.B. Track"—20c premium per barrel

Purchases are made from Maple Leaf Milling Company Limited with whom no contracts are in force or have been in force for over five years.

SCHEDULE XI

FLOUR INVENTORY POSITION AT SEPTEMBER 15, 1947

Closest date to September 15, 1947, on which an inventory of flour was taken was at the close of business September 17, 1947. Inventory of flour at such time was 40,739 barrels. Based on the average weekly usage which approximates 9,500 barrels, it would appear that inventory of flour on hand at September 15, 1947, would have been about 45,500 barrels. Based on the average weekly usage of 9,500 barrels, the quantity on hand at September 15, 1947, would be sufficient for a 4 $\frac{1}{2}$ to 5 week period. The estimated quantity of flour used between September 15, 1947, and the date of the subsequent price increase would approximate 7,500 barrels.

SCHEDULE XII

SHARE CAPITAL OF CANADA BREAD COMPANY LIMITED, AT FEBRUARY 29, 1948

	First preference	Class "B" preference	Common
Number of shares	20,000	25,000	200,000
Par value of shares	\$100	\$50	No par
Number of shares owned by Canadian residents	19,910	24,426	197,589
Number of shares owned by non-residents of Canada...	90	574	2,411
Total number of shareholders	543	581	621
Number of shares owned by Maple Leaf Milling Co.	Nil	5,506	100,056
Annual dividend payment per share effective September 15, 1945	\$4.50	\$2.50	10c
Rate of annual dividends paid in total to each class of shareholders effective September 15, 1945	\$90,000	\$62,500	\$20,000
Number of directors elected by each class of shareholder	2	1	4

SCHEDULE XIII

AVERAGE WEEKLY WAGES PAID TO DELIVERY SALESMEN
WEEKS ENDED FEBRUARY 22, 1941, FEBRUARY 24, 1945
AND FEBRUARY 28, 1948

	1941	1945	1948
Toronto	26.16	41.16	45.44
Montreal	23.60	39.26	46.32

SCHEDULE XIV

ANALYSIS OF WAGE AND SALARY EXPENDITURES
FOR THE SEVEN MONTHS ENDED JANUARY 31, 1948

To delivery salesmen, route supervisors, stablemen and motor mechanics..	53.2	\$1,615,149.02
To bakers, bakery maintenance men and shippers.....	38.6	1,173,583.58
To office employees (exclusive of head office).....	6.2	187,865.60
To head office executive and office employees.....	2.0	59,429.88
	100.0	\$3,036,027.58

Percentage of Wages Paid in Relation to the Sales Value of Goods Sold	
Delivery wages	18.1
Bakery wages	13.1
Branch office wages	2.1
Head office wages .....	.6
Total	33.9

The VICE-CHAIRMAN: The several annual reports which have been named as exhibit 45, if they are to be printed at all, I fancy should be printed as an appendix. The question arises in my mind as to whether they should be printed at all.

Mr. JOHNSTON: Each one has a copy of them. I would agree with you. I do not see why we should print them at all.

Mr. FLEMING: I should think they will have to be printed in the appendix because while members of the committee have the exhibit other people reading the evidence will not have them.

Mr. LESAGE: I have already asked a question on the financial statement, and if it is not in the appendix—

The VICE-CHAIRMAN: You have already asked a question about it.

Mr. HARKNESS: It may be by the time we have come to the end of these witnesses there will have only been questions asked on the 1947 annual statement, and it may be it would be all that it would be necessary to print in the record.

The VICE-CHAIRMAN: Mr. Fleming's point, however, is that the evidence is going out to more than the members of the committee and they would not have copies of these documents, and that these several documents should be printed as an appendix.

Mr. HARKNESS: My point was that if in the evidence only one was referred to perhaps that would be all that it would be necessary to print. We would not have to print the six of them.

The VICE-CHAIRMAN: Shall we say that these annual reports, which are exhibit 45, will be printed as an appendix if they are printed, and we will decide a little later as to whether they will be printed at all.

Mr. IRVINE: I think we can hardly expect to print all of them. We have received a number of similar reports for at least one year from other companies appearing here and we have not printed them. I do not think we need to do that.

The VICE-CHAIRMAN: I do not think we do myself.

Mr. MAYHEW: It is a public company, and it is not necessary to do that.

Mr. MACINNIS: Mr. Chairman, it just happens that we have got the printed annual reports for a number of years. Surely it is not suggested if they had given us the annual reports from 1911 onwards we would print those. The committee is investigating the causes of the recent rise in prices. If we print the 1947 annual report I think that is all that should go into the appendix.

Mr. HARKNESS: Certainly that is all that is needed if we do not refer to the previous ones in the evidence.

The VICE-CHAIRMAN: Of course, one may refer to anything he likes.

Mr. MACINNIS: Well, they are on file then.

The VICE-CHAIRMAN: How about putting it this way, if this is agreeable, that the 1947 report can be printed as an appendix, and if we want any more printed we will determine that whenever the matter comes up. Is that agreeable?

Carried.

Mr. FLEMING: How much of it are you printing? There are some photographic illustrations, and so on. I take it is the two statements, the consolidated balance sheet and the profit and loss statement.

The VICE-CHAIRMAN: I am quite sure the secretary can be depended upon to use his usual good judgment in a matter of that sort.

Mr. JOHNSTON: There might be pictures of members of the committee in there, but they surely would not be printed.

The VICE-CHAIRMAN: All right, Mr. Dyde.

Mr. DYDE: Mr. Loftus and Mr. Antliff, will either of you answer the questions, whichever is the more appropriate. I note in your statement towards the foot of the first page you say:

In August, 1947, the percentage rate of net profit to sales was less than 1 per cent (.9 per cent).

Is that shown in the attached statements?

Mr. ANTLIFF: That is shown on schedule 4.

Mr. DYDE: Then we have not come to that as yet. I think I should ask you, however, whether the statement discloses what is the percentage rate in July, 1947, as a month?

Mr. ANTLIFF: It does not disclose that because we took the six months period from August 1, to January 31 which covers the period of decontrol and a number of increases.

Mr. DYDE: But if I ask you for the monthly figures for July and say, June, 1947, it would not be difficult for you to supply that, would it?

Mr. ANTLIFF: It would be immediately available.

Mr. DYDE: I think I will ask you to do that, please. Gentlemen, I have no particular questions with regard to the first page of the schedules which is exhibit A or schedule 2.

Mr. FLEMING: Is it marked A? Mine is marked B.

The VICE-CHAIRMAN: Is it exhibit B.

Mr. DYDE: It is marked out in pen and ink on mine.

Mr. FLEMING: There are two pages marked exhibit B.

Mr. DYDE: I think the first of those should be marked with an A instead of a B.

The VICE-CHAIRMAN: It has been corrected in his copy. Will you please correct that to exhibit A?

Mr. LESAGE: May I ask a question on this page?

The VICE-CHAIRMAN: Yes.

Mr. DYDE: Mr. Antliff or Mr. Loftus, I understand for the greatest part of the period to January 31, 1948, the price of your 24-ounce loaf was 13 cents?

Mr. ANTLIFF: Correct.

Mr. LESAGE: And your net profit exclusive of investment, of course, and before income taxes was \$218,000 approximately?

Mr. ANTLIFF: For six months.

Mr. LESAGE: On a net sales value of \$7,767,503.

Mr. ANTLIFF: Correct.

Mr. LESAGE: Your sales have increased over your last financial year for the first six months of the present financial year?

Mr. ANTLIFF: We have not got that comparison right here, but I have got it ready and available.

The VICE-CHAIRMAN: Just a moment. Mr. Antliff, I do not think your voice is quite loud enough.

Mr. LESAGE: The total of your net sales value for the financial year ending June, 1947, was \$13,835,088?

Mr. ANTLIFF: That is correct.

Mr. LESAGE: Well, the first six months—

Mr. ANTLIFF: I know what you mean. You are perfectly right.

Mr. LESAGE: Much higher?

Mr. ANTLIFF: It is higher than the average for the six month period ending June 30, 1947. That is correct.

Mr. LESAGE: Your profit per dollar of sales was 2·81 cents for the first six months, that is to say, a little lower than last year, but on the other hand the volume of your sales has increased in dollars to a considerable extent?

Mr. ANTLIFF: My answer to that would be that the net profit for the year 1947 is \$466,000 which is more than double the net profit for the first six months ending January 31, 1948, the latter amount being \$218,000, and double that would be \$436,000.

Mr. LESAGE: That is quite right. I do not say your net profit has increased. It has increased over last year.

Mr. ANTLIFF: Decreased.

Mr. LESAGE: But on the other hand it is much better than in 1942, and 1940 and 1938.

Mr. ANTLIFF: Yes, on an absolute basis although on a relative basis it is actually the lowest it has been.

Mr. LESAGE: And your net profit after payment of taxes for those years which I have just mentioned, 1942, 1941, 1940 and 1938, was satisfactory to you, was it not?

Mr. ANTLIFF: I would say it was reasonably satisfactory.

Mr. FLEMING: Did you say after or before income tax?

Mr. LESAGE: Before and after. I did not mention income tax. I said net profit.

Mr. ANTLIFF: May I ask a question? What year are you referring to?

Mr. LESAGE: I said 1942, 1941, 1940 and 1938.

The VICE-CHAIRMAN: Is that coming to you clearly?

Mr. ANTLIFF: Yes, I can hear that quite clearly.

The VICE-CHAIRMAN: You have the question now?

Mr. ANTLIFF: Mr. Lesage is suggesting that the profit after taxes in the years 1941, 1942 and 1943 was a reasonable profit. Is that the suggestion?

Mr. LESAGE: That is what I am asking you. I am not suggesting. I am asking if you were satisfied.

Mr. ANTLIFF: Yes, the profit realized covered dividends with a small margin of surplus before dividends. If that is construed as satisfactory I would say it was.

Mr. LESAGE: And your dividends, for instance, for 1947 were 5.27 per cent of invested capital. You have said that a few moments ago?

Mr. ANTLIFF: Yes.

Mr. LESAGE: And your net profit was nearly 10 per cent?

Mr. ANTLIFF: Net profit in relation to the invested capital.

Mr. LESAGE: Yes. I am comparing profit on sales with profit on invested capital.

Mr. ANTLIFF: I have already answered that. I said profit on the invested capital was the equivalent of slightly less than 10 per cent.

Mr. LESAGE: Slightly less than 10 per cent. Now, taxes for your financial year which will end in June, 1948, will be lower than the taxes you had to pay in 1947? You know that?

Mr. ANTLIFF: I am sorry they will be because our profits will be lower.

Mr. LESAGE: Pardon?

Mr. ANTLIFF: They will be because we will have smaller profits.

Mr. LESAGE: But if your net profit for the last six months of the year is about the same as the first six months your profit would be satisfactory, would it not, after payment of taxes?

Mr. FLEMING: If the Minister of Finance imposes more taxes without consulting parliament how can we conjecture?

The VICE-CHAIRMAN: Now, Mr. Fleming, that interjection—

Mr. FLEMING: We cannot be sure what the taxes will be.

The VICE-CHAIRMAN: That interjection may have been amusing but it certainly was not related to the question. The question is quite a proper one, and that kind of interjection certainly does not help the inquiry.

Mr. FLEMING: Mr. Chairman, you can tell what the taxes are for 1947 but not for 1948.

The VICE-CHAIRMAN: I will not entertain that interjection. You are quite out of order in making that interjection. The question was clear and the witness should be allowed to answer it if he can.

Mr. FLEMING: I am taking objection to a question based on the taxes for 1948 when nobody knows what they are going to be.

The VICE-CHAIRMAN: The objection is noted but the question is quite proper.

Mr. LESAGE: I will not argue about the objection—

The VICE-CHAIRMAN: There is no argument. You have had the question now, Mr. Antliff. Would you care to answer it?

Mr. ANTLIFF: If the profit shown for the six months ending January 31 were maintained there would be a profit of \$436,000 for the year which would cover all dividends with a small surplus and would be satisfactory.

Mr. LESAGE: There would be a surplus, and your bread for most of the period was sold at 13 cents?

Mr. ANTLIFF: That is correct.

Mr. LESAGE: And since you have increased your price to 14 cents there has been a decrease in the price of flour, is that correct?

Mr. ANTLIFF: No, I would not say that.

Mr. LESAGE: There has been a decrease in the price of flour since October

Mr. ANTLIFF: I am sorry, I thought you meant the last increase. Yes there has been a decrease since the initial increase in September.

Mr. BEAUDRY: May I just make a suggestion. I think counsel is more familiar with this matter than we are and I suggest that he conduct the questioning between now and the adjournment tonight. I think it is practically impossible for us to ask questions on the financial reports. I understand the difficulties we are labouring under. We have eight or nine financial reports and in this exhibit there are about 15 pages of figures so I think it would be fairer to the witness if counsel would do the questioning, and that would give us a little time to familiarize ourselves with the picture.

Mr. LESAGE: I would like to take strong exception—

Mr. BEAUDRY: We could then ask questions intelligently.

The VICE-CHAIRMAN: Now, do not take strong exception to anything.

Mr. LESAGE: No, but I asked Mr. Dyde, before I put the question, whether he had finished with the witness and he said yes. The questions were intelligent too.

The VICE-CHAIRMAN: Now argument is not necessary. A suggestion is made by Mr. Beaudry but we have already decided that questions would be asked at any appropriate time.

Mr. WINTERS: I have a question which is relevant to Mr. Lesage's question.

Mr. BEAUDRY: Are you sure it is intelligent?

Mr. WINTERS: It has to do with the profit accruing to date. Is it not true in the period Mr. Lesage is speaking about there was a five-week period in which you were operating with flour you got at the cheap rate?

Mr. ANTLIFF: Very definitely, and I would like to have that understood by the committee.

Mr. WINTERS: That is important.

Mr. ANTLIFF: Very definitely.

Mr. WINTERS: Mr. Lesage did not get that.

The CHAIRMAN: I do not know whether you have that point well enough established.

Mr. WINTERS: Mr. Lesage was trying to establish, and did establish, the fact on the operations for the first six months of this year, and if you wanted to expand that to the annual operation, the net profit would be satisfactory to the company.

Mr. LESAGE: Yes.

Mr. WINTERS: I just wanted to point out in this six months you had under consideration there was a period of five weeks during which the company was operating with flour obtained at the rate which prevailed before the subsidy came off.

Mr. LESAGE: Definitely.

The VICE-CHAIRMAN: That flour was called, in the statement, "cheaper flour".

Mr. MAYHEW: Did we get the difference as to the total for the whole year on the same basis?

The VICE-CHAIRMAN: Can you answer that question of Mr. Mayhew's before Mr. Irvine asks his questions?

Mr. MAYHEW: For five weeks in this half of the year you are working on the cheap flour and, if, for the other half year, that situation had been the same what would be the difference?

Mr. ANTLIFF: If we had immediately jumped to expensive flour our profit instead of being \$208,000 would have been somewhere between \$40,000 and \$50,000 at the most.

Mr. WINTERS: It is quite a significant factor.

Mr. MAYHEW: Yes.

Mr. LESAGE: Would the difference be as great as that?

Mr. ANTLIFF: Yes.

Mr. LESAGE: How much flour did you have at that time?

Mr. LOFTUS: Five weeks supply.

Mr. LESAGE: Nine weeks supply?

Mr. ANTLIFF: Five weeks, and there has been a statement given on it.

The VICE-CHAIRMAN: The statement has been given on the basis of weeks supply and the figure was five.

Mr. LOFTUS: We have the actual number of barrels here.

Mr. ANTLIFF: I was asked the percentage of profit on sales in July and it was just been worked out as 2.5 per cent.

The VICE-CHAIRMAN: That was Mr. Dyde's question.

Mr. LOFTUS: Yes.

Mr. IRVINE: I want to ask this question. I am continuing where I left off a few moments ago and the questions have to do with page 1. If it happens that the questions I ask have been answered on subsequent pages the witness will just say so and that will be an answer. Do any directors of your firm sit on the board of directors of the Maple Leaf Milling Company?

Mr. LOFTUS: Yes. Just a moment, give me that again?

Mr. IRVINE: Do any directors of your firm sit on the board of directors of the Maple Leaf Milling Company?

Mr. LOFTUS: Yes, two.

Mr. IRVINE: Who are they?

Mr. LOFTUS: Mr. Wadsworth, the General Manager of Maple Leaf Milling Company and Mr. Gordon Leitch.

Mr. IRVINE: Do you know whether your directors sit on the board of directors of any other baking firm?

Mr. LOFTUS: No, but wait a second, I believe Mr. Wadsworth is a director of the Eastern Bakeries. I am not sure, but I believe he is. I beg your pardon, I believe he is a director of Canadian Bakeries in the west.

Mr. IRVINE: The same man?

Mr. LOFTUS: Yes.

Mr. DYDE: His name does not appear on your 1947 report?

Mr. LOFTUS: He was only made a director last year.

Mr. DYDE: Would you mind giving his initials?

Mr. LOFTUS: Kenneth.

Mr. IRVINE: Does your firm have any connection with other baking firms in Canada?

The VICE-CHAIRMAN: Is there any organic connection?

Mr. LOFTUS: No, none at all.

Mr. IRVINE: Is your company the only subsidiary company of Maple Leaf engaged in the baking industry?

Mr. LOFTUS: No, there are three.

Mr. IRVINE: Name them.

Mr. LOFTUS: Canadian Bakeries, with Calgary as the head office; Eastern Bakeries in Saint John, New Brunswick, and this company.

Mr. IRVINE: You are Canada Bread Company. Is not your company part of a nationwide chain of bakers now controlled by the Maple Leaf Milling Company?

Mr. LOFTUS: I do not know whether you would put it as a nationwide chain of bakeries. I do know they started the Canada Bread Company, took them over thirty years ago. I believe they have had Canadian Bakeries in the west close to thirty years, and I do know that they have had Eastern Bakeries for many, many, years, but I do not think you would term it as a chain of bakeries. If it was a chain of bakeries I would be inclined to think I would have something to do with the western and eastern companies but I have nothing to do with them.

Mr. IRVINE: Does your link in the chain, if I may use my analogy, and you may object to it,—does your link of the chain have an exclusive territory? Is that an understood thing?

Mr. LOFTUS: No, there is nothing understood. If I wish to go west or east I can go. I am running the Canada Bread Company and there are no discussions with Maple Leaf as to what I should do.

Mr. IRVINE: What would you think, for example, about starting a branch of Canada Bread in Calgary?

Mr. LOFTUS: Do not give me ideas, I may.

Mr. JOHNSTON: It is a good town.

Mr. IRVINE: Yes, it is a very good town, but would that be against the understanding of the chain in any way?

Mr. LOFTUS: There is no understanding; none whatever.

Mr. IRVINE: I cannot understand how you can have three companies going across Canada without an understanding? That is my point?

Mr. LOFTUS: That may be, but in all my conversations on behalf of Canada Bread Company, which during that time has been affiliated with Maple Leaf, there has never, never, once been any suggestion from any director or any members of the company as to what we should do with Canada Bread. It is left entirely to myself as general manager and president.

Mr. IRVINE: Do you think that Maple Leaf would be able to give the answer to that question more clearly than you have answered it?

Mr. LOFTUS: No, they would answer it in exactly the same way that I have because there is no connection with regard to running the two companies, or with regard to running other bakeries of the Maple Leaf.

Mr. IRVINE: As a matter of fact what territory does your company cover now?

Mr. LOFTUS: From Montreal to Winnipeg.

Mr. IRVINE: Is there any reason why you should not go further?

Mr. LOFTUS: No reason in the world, except that I have been expanding quite a bit and it needs money. So far I think I have had enough troubles.

Mr. IRVINE: But you have never contemplated going any further?

Mr. LOFTUS: No, I would not say that I have never contemplated going any further. I have contemplated.

Mr. IRVINE: Well turning from that I will ask you another question. From whom do you purchase most of your flour supplies?

Mr. LOFTUS: Maple Leaf Milling Company.

Mr. IRVINE: Do you purchase it all from them?

Mr. LOFTUS: Not all, and there is no arrangement whereby I have to purchase all of it.

Mr. IRVINE: From what other companies do you purchase?

Mr. LOFTUS: Well there have been small quantities, I just forget the names of the companies. During the shortage of flour when it was rationed so to speak, we bought flour from wherever we could get it, but we do buy from Maple Leaf Milling Company.

Mr. IRVINE: Is there any arrangement or understanding that a certain amount at least of your flour shall be purchased from that company?

Mr. LOFTUS: There has never been one word of conversation between Maple Leaf Milling Company and myself with regard to the purchasing of flour from them or anybody else.

The VICE-CHAIRMAN: Mr. Loftus, would it not be quite fair to say there is not any need for conversation. You just naturally buy from your owner, is not that right?

Mr. LOFTUS: Well if you wish me to say that—

The VICE-CHAIRMAN: I do not wish you to say it, and I do not care whether you say it or not, but if I were running a subsidiary company nobody would have to tell me to buy from the owner, I naturally would.

Mr. LOFTUS: I do not think you know me well enough because I would buy from someone else if I felt like it.

Mr. ANTLIFF: They are not owners.

Mr. LOFTUS: They are not the owners, there are other investors other than Maple Leaf Milling Company.

The VICE-CHAIRMAN: I think it natural that you would buy from them.

Mr. LOFTUS: No, sir. If I wish to buy flour elsewhere I can buy it, and I would buy it if conditions were different.

Mr. MAYHEW: Would you take up the question of price with the other companies?

Mr. LOFTUS: Well, that is a very difficult job because other companies at times do not want to tell you what the prices are.

Mr. MAYHEW: But you would make inquiries from the other milling companies?

Mr. LOFTUS: Yes, we have ways and we compare prices with Maple Leaf, and if they are not right we tell them.

Mr. IRVINE: Since there are directors of this company on the board of Maple Leaf Milling Company it would be reasonable to suppose there is a perfectly sound understanding.

Mr. LOFTUS: As a rule it can be carried out without difficulty.

The VICE-CHAIRMAN: It comes down to the fact, as Mr. Loftus says, that he is a free agent.

Mr. LOFTUS: In all my years on the board of the Canada Bread Company there has never been any suggestion from any member of our board as to where I buy any of our requirements.

Mr. ANTLIFF: That is definitely correct.

Mr. IRVINE: There is no contract of any kind?

Mr. LOFTUS: I have not had a contract about flour, since, I would say, 1941.

Mr. IRVINE: Did you have them then?

Mr. LOFTUS: Yes.

Mr. IRVINE: With Maple Leaf?

Mr. LOFTUS: Yes.

Mr. IRVINE: Why did you cease then?

Mr. LOFTUS: There was not any need to have a contract afterwards because control was put on the price of flour and the flour was pretty well the same.

Mr. IRVINE: And you have not negotiated any contract since?

Mr. LOFTUS: No, we have been getting flour at what we consider a reasonable price. Of course, deliveries of flour mean a great deal to you because you have to ship in to cities by car, and by road, and we find the dealing and the service means quite a lot to us.

Mr. FLEMING: May I ask a question before we leave Exhibit "A". Perhaps I should direct this to Mr. Antliff. The last line covers the six month period to June 31 but we have not got July in this statement.

Mr. ANTLIFF: The percentage for bread for July was 2.5. The reason that six-month period was taken was because we wanted to cover the period of decontrol.

Mr. FLEMING: You have given in the sixth column "units sold" which you describe as "one loaf of bread, or 10-cent cake volume". In this statement are there figures segregated anywhere as to bread volume?

Mr. ANTLIFF: I have figures for the last six months in my working papers, and I have the profit for bread as distinct from cake on schedule 4.

Mr. FLEMING: But does your volume of output for bread appear anywhere, say for the past five or six years?

Mr. ANTLIFF: Yes, I have it as a matter of fact, in my working papers. I have not got it in brief form.

Mr. FLEMING: Are they in handy form so that you could give them to us now?

Mr. ANTLIFF: I can give them to you. How many years back would you like?

Mr. FLEMING: Oh, three or four; if you have them all handy you could give them, starting about 1941.

Mr. ANTLIFF: I have them in order for 1947 including in the bread products what are known as sweet goods which are yeast raised goods. They are in with bread.

Mr. FLEMING: Are they much of a factor? I am trying to isolate bread and establish a trend?

Mr. ANTLIFF: I do not think it is sufficient to set a trend. The volume value of the sale of bread in 1947—

Mr. FLEMING: Could you give us the volume measured in loaves or pounds?

Mr. ANTLIFF: The units of bread were 122,639,000.

The VICE-CHAIRMAN: What is that unit?

Mr. ANTLIFF: That is a loaf of bread; the 10 cent unit of cake was 39,201,823.

Mr. LOFTUS: That is quoting the 10 cent unit.

Mr. ANTLIFF: In 1946, the units of bread were 8,936,302—I am sorry, that figure is incorrect. It should be 113,684,000; cake, 35,447,752. In 1945, the bread was 96,848,000; cakes, 33,231,166. In 1944, bread was 95,193,000; cakes, 33,175,000. In 1943, bread, 85,820,000; cakes, 28,620,000. In 1942, bread was 77,242,000; cake, 20,723,000. In 1941, bread was 75,674,000; cakes, 18,970,618.

Mr. FLEMING: I think that is far enough for the years. In the seven years you have given, then, your bread volume shows an increase of roughly 60 per cent?

Mr. ANTLIFF: I would have to check that.

Mr. LOFTUS: You mean up to the present time?

Mr. FLEMING: Up to the end of 1947, between 1941 and 1947?

Mr. ANTLIFF: Yes, 60 odd per cent.

Mr. FLEMING: Could you give us the figure by months, beginning in January, 1947?

Mr. ANTLIFF: No, I cannot. Our fiscal year starts the first of July and I have monthly statements from the 1st of July for this current fiscal year. I did not bring all the monthly statements prior to that.

Mr. FLEMING: What I want to get at is the trend. I am speaking about the trend in your volume of output now, in the period following decontrol as compared with the preceding period?

Mr. LOFTUS: That would be from September?

Mr. FLEMING: Yes, I should like to have a basis of comparison with the previous year, if you can get it without too much trouble.

Mr. ANTLIFF: As a matter of fact, if you will refer to schedule 6, you will see the trend of poundage and value in bread only at Toronto, Ottawa and Montreal; that covers part of it.

Mr. FLEMING: That is what we want.

The VICE-CHAIRMAN: Is that sufficient to answer your question?

Mr. FLEMING: I had better not anticipate schedule 6. We can deal with it when we come to it.

The VICE-CHAIRMAN: That question had better stand and, perhaps it will be followed up at a later time and perhaps not.

Are there any other questions at this point?

Mr. JOHNSTON: Yes, I have one or two questions which I should like to ask on Exhibit "A". I understood the witness to say that the 2·81 on January 31, 1948, was the figure after dividends?

Mr. ANTLIFF: No, that is the figure before dividends and before income taxes.

Mr. JOHNSTON: I understood you to say after, and I wanted to get that straight.

Mr. ANTLIFF: I am sorry if I did not explain matters correctly but that is the figure before income taxes and before dividends, as indicated by the caption at the top of the first column.

Mr. JOHNSTON: I wanted to be sure, as I thought you said it was after.

The VICE-CHAIRMAN: It may have been a slip, if he did say that.

Mr. JOHNSTON: Do you produce a 10 cent loaf?

Mr. LOFTUS: Yes, we do.

Mr. JOHNSTON: Could you give us the cost of that?

Mr. LOFTUS: It is also shown on schedule 5.

The VICE-CHAIRMAN: Do you desire to leave that question until we come to schedule 5?

Mr. JOHNSTON: I think it would be better to leave it until we come to that schedule. I have quite a few questions to ask concerning it.

The VICE-CHAIRMAN: Are there any other questions?

Mr. MACINNIS: I should like to ask a question on the statement Mr. Loftus read into the record. At the bottom of page 1 it is stated that in July and August, you approached the bread administrator of the Wartime Prices and Trade Board—

Mr. LOFTUS: Yes.

Mr. MACINNIS: —for an upward revision of the price. Who was the administrator?

Mr. LOFTUS: Colonel Ruttan.

Mr. MACINNIS: Who approached him?

Mr. LOFTUS: I would safely say I approached him. I do not remember the date or the conversation, but I am certainly sure I have approached him. I remember all the conversations but not the exact date.

Mr. MACINNIS: Does your firm belong to the Ontario Bakers Association?

Mr. LOFTUS: Yes, we do.

Mr. MACINNIS: What are the purposes of the Ontario Bakers Association?

Mr. LOFTUS: Well, I have never read the charter or the constitution but I think it is to create goodwill amongst all the bakers, both large and small, chain and everything else. They have a convention once a year. They have a meeting once a month. They are all nice fellows. We had a meeting last week, at which I was present.

Mr. MACINNIS: You do not mean to suggest it is just an association for good fellowship?

Mr. LOFTUS: They discuss costs and, sometimes, they get mad at each other, but very good-naturedly.

Mr. JOHNSTON: Did they discuss selling prices?

Mr. LOFTUS: No, I have never heard them because on every occasion someone would mention that Colonel Ruttan had been pumping that into us about Mr. McGregor. I think every baker in the country is scared to death of him.

Mr. JOHNSTON: Pumping what into you.

Mr. LOFTUS: Pumping just what you say.

Mr. MACINNIS: Would the elimination of what you consider unfair trade practices be one of the objectives of the association?

Mr. LOFTUS: What would I consider—?

The VICE-CHAIRMAN: No, that was not the question. He asked not what you would consider, but whether it would be considered.

Mr. MACINNIS: My question is, would you consider the elimination of unfair trade practices as one of the objectives of your association? Would you say that was one of the objectives? Would that be included in the objectives?

Mr. LOFTUS: I just do not get that. Would you repeat it?

Mr. MACINNIS: Would the elimination of what is considered unfair trade practices be one of the objectives of your association?

Mr. LOFTUS: I would think so.

Mr. MACINNIS: You would think that?

Mr. LOFTUS: Yes.

Mr. MACINNIS: Have you, personally, attended meetings where the elimination of unfair practices was discussed?

Mr. LOFTUS: I would say I have, although I do not remember them. It is pretty hard to remember the meetings which I have attended in the last few years, but I am sure I have attended meetings where unfair trade practices were discussed.

Mr. JOHNSTON: To what companies, particularly, did those unfair practices refer?

Mr. LOFTUS: Oh, never to our company.

Mr. JOHNSTON: I would think you would say that, but to what other companies did they refer?

Mr. LOFTUS: I could not remember that.

Mr. JOHNSTON: I would think, if there were unfair trade practices mentioned at meetings and there was any company which was practising them, that would be one of the outstanding things and would stay in my mind?

Mr. LOFTUS: There are so many salesmen on the road, we have a thousand that it is pretty difficult to know what is going on in the minds of those men daily. I know, I have sold bread from a wagon. I know what it is. These men do things during their day's travel which, perhaps, are not legitimate. Then, the opposition hears about it. No doubt, the opposition considers that an unfair trade practice against that particular company.

Mr. JOHNSTON: That is not what I meant; I was not referring to the drivers. I was referring to the unfair trade practices of the other large bakeries. If there were such things discussed, I would take it they would be very important subjects for discussion at your meetings and you would remember them.

Mr. LOFTUS: That would be one of the trade practices; our troubles mostly all come from the delivery end or from our selling organization.

Mr. JOHNSTON: You are still not answering my question.

Mr. LOFTUS: I am sorry. Perhaps I am stupid, but I cannot get it.

Mr. JOHNSTON: Perhaps it is the way I am putting it. You say, undoubtedly, there were unfair practices discussed at your meetings.

Mr. LOFTUS: Yes.

Mr. JOHNSTON: I am asking you to what companies did those unfair trade practices refer? I am not speaking of the drivers, I am speaking of baking companies.

Mr. LOFTUS: I could not answer that because it is such a long time since I heard of unfair methods from one company to another.

Mr. JOHNSTON: If there had been any company practising that persistently over a period of time, you would have heard about it?

Mr. LOFTUS: Yes. I do not know of any. They are pretty good people.

Mr. JOHNSTON: Then, I take it there were not any discussions with reference to a company, particularly, in this connection?

Mr. LOFTUS: I do not know of any.

Mr. MACINNIS: What are, generally, the unfair practices in the baking business?

Mr. LOFTUS: These rebates have been a bone of contention. Some one baker may start to give a rebate to his customer who is taking perhaps a certain quantity of goods from one particular company and he goes in there; that is one objection I have heard. And I think other objections were that some company has put in cases holding bread. Those are all cheap means of perhaps getting into certain stores. Those are mostly all the bones of contention.

Mr. MACINNIS: Would selling bread at a low price be considered an unfair practice?

Mr. LOFTUS: We are selling now one particular group, and I am sure that is a bone of contention with our competitors; I am sure of that.

Mr. MACINNIS: Did you ever have a visit from Colonel Ruttan with regard to the fact that you were selling too low?

Mr. LOFTUS: Colonel Ruttan knows me very well.

Mr. JOHNSTON: And is that why he stays away?

Mr. LOFTUS: Yes, it is; because he knows he could not put pressure on me.

Mr. MACINNIS: I suppose you don't know the manager of the A & P bakery?

Mr. LOFTUS: I do not know anything about him.

Mr. MACINNIS: Did you have any discussion with Colonel Ruttan since September of 1947 in regard to the price of bread?

Mr. LOFTUS: Oh, yes. I have seen the man. I got tired of looking at him.

The VICE-CHAIRMAN: Have you any further questions, Mr. MacInnis?

Mr. MACINNIS: Did you increase the price of your bread before or after Christie's, that is around January 27th?

Mr. LOFTUS: After.

Mr. MACINNIS: Did you have any consultation with the Christie people?

Mr. LOFTUS: Yes.

Mr. MACINNIS: And was it the fact that Christie's had raised their price that caused you to raise your price?

Mr. LOFTUS: No, they had more courage than I did.

Mr. JOHNSTON: You don't lack courage, do you?

Mr. LOFTUS: I did. In that case he had more courage than me.

Mr. LESAGE: I would like to ask you a question. I would like to clear up a couple of things. You were present, Mr. Loftus, on the 3rd of March at the Ontario Bakers' Association meeting?

Mr. LOFTUS: Yes, I was.

Mr. LESAGE: And by what we heard from Colonel Ruttan the particular subject of discussion was the fact that the A & P Stores were selling bread as a loss leader; is that right?

Mr. LOFTUS: I do not think, in all fairness to Colonel Ruttan, and I am not taking his part at all, I do not quite agree with him in that part of his evidence.

Mr. LESAGE: You do not?

Mr. LOFTUS: No, I do not; I think, perhaps, when he hears me he will agree that I am right. After lunch I believe it was—we started the meeting if I can remember correctly at 10.30 and we went through the regular business relating to a convention which was to be held in a month or so and several other items pertaining to the association, then we adjourned for lunch and when we came back and sat down they were going on with the regular agenda. Please remember, this

is very informal. Someone suggested why not scrap the agenda and deal with the most important subject that has been before the baking industry in their history, that is the prices investigation; and the agenda was scrapped and that discussion of the Ottawa investigation went on. I think I am right there.

Mr. LESAGE: And the A & P people were on the stand at that time?

Mr. LOFTUS: Oh, definitely.

Mr. IRVINE: Those minutes are coming here.

Mr. FLEMING: Colonel Ruttan said this morning he would get them from the secretary in Hamilton.

Mr. LESAGE: Was any decision taken?

Mr. LOFTUS: I beg your pardon?

Mr. LESAGE: Was any decision taken as to the complaint which was made against A. & P.?

Mr. LOFTUS: No definite decision, no; but definitely they were opposed to the method of these particular chains.

Mr. FLEMING: These particular what?

Mr. LOFTUS: Chains, chain stores; Colonel Ruttan I believe was instructed to go up that night and discuss it with the members of the National Council.

The VICE-CHAIRMAN: You mean the National Council—?

Mr. LOFTUS: Of bakers, in an endeavour to see what could be done to take up the bakers' side of this particular situation. Now, this was not done at the instigation or suggestion of the chain bakeries but of the independent bakers who were at that meeting.

Mr. LESAGE: The small independent bakers?

Mr. LOFTUS: Yes, there is quite a large percentage and they were all of one opinion.

Mr. JOHNSTON: What was it?

Mr. LESAGE: And that opinion was that the A & P were selling at too low a price and at a price lower than fair cost; that was their opinion?

Mr. LOFTUS: Yes.

Mr. LESAGE: They had no evidence to substantiate that.

Mr. LOFTUS: No, but they had been in the baking business for a good many years.

Mr. LESAGE: Yes.

Mr. LOFTUS: And they are all very decent people and know their costs very well.

Mr. LESAGE: Yes, yes; I know that.

Mr. LOFTUS: I would say, Mr. Lesage, that they knew what they were talking about.

Mr. LESAGE: Oh, definitely, yes; but as I say you have no evidence of it.

Mr. LOFTUS: Oh, no.

Mr. FLEMING: Might I ask one question there. Mr. Loftus, you used the expression "independent bakers"; what do you mean by that, independent of what?

Mr. LOFTUS: That is a name that is kicked around. I don't know why it is. There is the consolidated bakeries controlled I understand by Ogilvie's. There is our own company controlled by Maple Leaf—I am speaking of Ontario and Quebec—and Inter-City Bakery Company controlled by—it is Brown's in Toronto and Inter-City in Montreal—controlled by Lake of the Woods; and then there are a number of small bakers no doubt controlled by—you mentioned some general trust or some security company.

Mr. LESAGE: Controlled by national securities or something of that kind, subsidiaries to a milling company.

Mr. FEMING: You use the expression "independent bakers" as distinguished from those owned by milling companies?

Mr. LOFTUS: Then all the other baking companies or bakers come under the term "independent", of course.

Mr. LESAGE: That is, they have no connection with milling companies?

Mr. LOFTUS: No connection with any mill. Some of them have a connection with financial organizations but there is no miller.

Mr. LESAGE: Some independent bakers are so much in the power of milling companies that they are practically dependent on them.

Mr. LOFTUS: They will be as long as they sell 10-cent bread to the chains.

Mr. LESAGE: I am not looking for the cause, but I say that is the fact.

Mr. LOFTUS: Exactly. I am very glad I got that over to you.

Mr. LESAGE: Now, I have one last question which I want to ask, that is the extent to which your plant has increased since 1938; have the number of your plants increased since 1938?

Mr. LOFTUS: Yes, they have. There has been pretty good management, Mr. Lesage.

Mr. LESAGE: Oh yes, there has been good management.

Mr. LOFTUS: Your meeting was dull this morning.

Mr. LESAGE: There is no doubt about that, there was an increase of 60 per cent, I think you said, in answer to Mr. Fleming. I wonder now if there has been an increase in the number of plants, and I want to know what the increase in consumption has been.

Mr. LOFTUS: There is Fort William and Kirkland Lake, just the two the last year.

Mr. LESAGE: The two last year?

Mr. LOFTUS: The two since 1938.

Mr. LESAGE: The two since 1938?

Mr. LOFTUS: Yes. Now, the increase in consumption, Mr. Lesage, is I think due to war conditions when of course people did not have the food that they had previously—and lunch pails; a lot of products necessary for baking were not being available, and consequently they bought from the baker more than they had previously. But you can make up your mind that there is a definite falling off now. I do not know of any baker now who is showing an increase in his volume. I would say that his decrease in sweet goods and cakes for the last 3 months is 25 to 50 per cent. I am speaking of cakes.

Mr. LESAGE: I am more interested in bread. What do you say about bread?

Mr. LOFTUS: I would say the bakers at the present time—I hope you don't get me wrong, Mr. Lesage, that is sweet goods 25 to 50 per cent I was referring to and not to bread. But I will say this, that as you go through the country and talk with the smaller bakers you will find that each and every one of them says there is a tremendous decrease in bread sales.

Mr. LESAGE: What about you?

Mr. LOFTUS: Exactly the same.

Mr. LESAGE: Exactly the same?

Mr. LOFTUS: Oh, yes. We have considerable of it up out of Loblaw's; but, do we want that?

Mr. LESAGE: Oh, that; I don't know.

Mr. LOFTUS: No.

Mr. FLEMING: Loblaw's told us that they were handling a greater volume, mostly the 10-cent loaf—

Mr. LOFTUS: Surely.

Mr. FLEMING: —than before September.

Mr. LOFTUS: Yes.

Mr. LESAGE: We have had the retailer operators here and they said that there had been an increase in their sales of bread. If I understood well the house-to-house delivery system has lost some of its volume to the retailer.

Mr. LOFTUS: I agree with you on that.

Mr. FLEMING: Competing chains, not independent.

Mr. LESAGE: Yes, to the chains.

Mr. LOFTUS: To the chains, yes.

Mr. FLEMING: The evidence we had was to that effect, that the independents have lost to the chains and they alone were having an increased turnover.

Mr. LESAGE: There is that one witness we had, that retailer from Toronto—I don't recall his name.

The VICE-CHAIRMAN: Arnold.

Mr. LESAGE: Mr. Arnold, he has increased his bread sales, but he is an independent.

Mr. LOFTUS: Some retailers have put on campaigns; there is a lot of publicity in the bread industry at the present time; and there is this matter on which you speak, selling bread priced a little lower and not having so much of a differential to make up, of course has had its effect, and we have that in every city—there was that man who came to you and you heard from him, but there are many people in every city where we are doing business who are selling bread and not taking the differential which the bakers are allowing them.

Mr. LESAGE: May I conclude then that your opinion is that on the whole the volume of bread baked in Canada at the present time is lower than the volume which was baked about 3 months ago?

Mr. LOFTUS: No.

Mr. LESAGE: On the whole?

Mr. LOFTUS: No, I think there is more bread being baked.

Mr. LESAGE: More bread?

Mr. LOFTUS: In the farms, you see.

Mr. LESAGE: I see, everywhere?

Mr. LOFTUS: Everywhere. No, I would say the consumption of bread should be about the same.

Mr. LESAGE: About the same?

Mr. LOFTUS: If it is not baked by the bakers it is baked in the home.

Mr. LESAGE: But in your opinion consumption would be about the same now as it was 3 months ago?

Mr. LOFTUS: I would think so, yes.

The VICE-CHAIRMAN: But referring to those who bake bread for the purpose of selling it the production you feel has decreased in the past 3 months?

Mr. LOFTUS: Would you repeat that, Mr. Chairman?

The VICE-CHAIRMAN: I was endeavouring to eliminate those to whom you referred as baking bread at home. I say those who bake bread for the purpose of selling it, that production has decreased in the last 3 months?

Mr. LOFTUS: Yes.

The VICE-CHAIRMAN: That would be so?

Mr. LOFTUS: Yes.

The VICE-CHAIRMAN: You say the consumption has gone down?

Mr. LOFTUS: I would think so.

The VICE-CHAIRMAN: That consumption of bread which is produced as bread has gone down?

Mr. LOFTUS: Well, of course, there are the three chains, and they are pretty large companies, but please remember that although big they are not 100 per cent of the bread business nor anything like it. I do not remember the percentage of bread sold by chain stores to that sold by the bakers, but there is quite a considerable difference. By far the biggest proportion is sold by the bakers.

Mr. LESAGE: By house-to-house delivery.

Mr. LOFTUS: But the chain stores, without question of doubt, have certainly made inroads into the bakers throughout the entire two provinces.

Mr. LESAGE: In the rural parts of Canada, of course, house-to-house delivery is still the only means of selling bread?

Mr. LOFTUS: Of course, Mr. Lesage,—

Mr. LESAGE: I am asking a question.

Mr. LOFTUS: There are stores throughout, and you must remember also that the price of bread house-to-house is the same as the price of bread in practically all grocery stores, not in all, but in practically all outside the chains. I know Loblaw's and Dominion do sell 14-cent bread.

Mr. LESAGE: Oh, yes.

Mr. LOFTUS: Quite a considerable quantity of it.

Mr. LESAGE: They have testified as to that.

Mr. FLEMING: May I ask one question?

The VICE-CHAIRMAN: I believe Mr. Winters has been trying to ask a question.

Mr. IRVINE: I have a question arising out of the question asked by Mr. Fleming which I want to ask. I might finish that and I would not have to butt in again. In defining what was an independent company, Mr. Loftus, you said, to quote you, "our company controlled by Maple Leaf." You used that phrase, did you not?

Mr. LOFTUS: I would say yes, and I would use it again.

Mr. IRVINE: There is no harm, but it is correct?

Mr. LOFTUS: Yes.

Mr. IRVINE: Since the Maple Leaf Milling Company controls your company would it not do the deciding as to whether the Canada Bread Company Limited went west of Manitoba or east of Quebec?

Mr. LOFTUS: No.

Mr. IRVINE: Then how does it control your company?

Mr. LOFTUS: It just controls it by owning the shares of stock, which is the voting stock. They have absolutely no control—I should not say they have not, but they do not exercise any control over me. I am either managing the business or I am not managing it, and they know that. I guess they know that a pretty good job is being done.

Mr. IRVINE: I still do not see how they can control if they allow you to do as they please.

Mr. LOFTUS: They have done that so far.

Mr. IRVINE: I suppose that would apply to the management of the business to which you have been ascribed as the manager, but as to the policy of the

company in regard to the territories which are assigned to each one of these companies will you say they do not control?

Mr. LOFTUS: Absolutely. I have never discussed with them where I will go or where I will not go, or whether I will put on trucks or whether I will not do so. I have not even discussed with them when I have built new bakeries. That seems strange.

Mr. MACINNIS: If you were to open a bakery west of Manitoba would you be under any necessity to consult with the Maple Leaf Milling Company as to what you were going to do?

Mr. LOFTUS: First of all I am not going west of Manitoba.

Mr. IRVINE: Why?

Mr. LOFTUS: This is just a personal question.

Mr. MACINNIS: Would I be right in assuming then that one of the reasons why you are not going west of Manitoba is that it is not the policy of the Maple Leaf Milling Company to go west of Manitoba?

Mr. LOFTUS: Definitely not.

Mr. MACINNIS: Then if you were to go west of Manitoba or to go east into the other territory would you have a free hand to determine policy in that matter without any regard to the Maple Leaf Milling Company?

Mr. LOFTUS: Absolutely. I opened up a new factory at Fort William and Port Arthur about a year ago. I did not discuss it with them. I did not borrow any money from them. Why should I discuss it? We are a damn good—pardon me—we are a good customer of theirs, and why should they worry?

Mr. IRVINE: As I gather it that would be right within the territory which I think has been ascribed to your company?

Mr. LOFTUS: Would you say that again?

Mr. IRVINE: I say Fort William, to which you have referred, would be logically within the territory which I conceive to be ascribed to your company?

Mr. LOFTUS: Mr. Chairman, could I answer that? I would like to.

The VICE-CHAIRMAN: Well, it is an argumentative question but I suppose it is all right.

Mr. LOFTUS: I would like to because I do not want this gentleman to have any wrong ideas. In the first place I was down south when we had the offer of the Fort William bakery. They were building it and could not keep going. I came back to town and I jumped on the train and went out to Fort William and bought the business that was there. I never discussed it with the Maple Leaf Milling Company and have never discussed it since.

Mr. IRVINE: I should think you would be glad to get it.

Mr. LOFTUS: Well—

Mr. MACINNIS: One other question and I am finished.

Mr. LOFTUS: I enjoy this.

Mr. MACINNIS: You referred a moment ago in answer to a question by myself to the fact that one of the unfair trade practices that certain bakeries engaged in was giving rebates. Does Canada Bread ever give rebates?

Mr. LOFTUS: Do they?

Mr. MACINNIS: Yes.

Mr. LOFTUS: Definitely, yes; of course we do.

Mr. JOHNSTON: Then you are indulging in unfair trade practices?

Mr. LOFTUS: Of course we are.

Mr. LESAGE: They are giving discounts as the others do.

Mr. LOFTUS: I am not saying I am not guilty.

Mr. LESAGE: You are giving discounts as the other bakers do?

Mr. LOFTUS: I abhor it. I think it is the rottenest thing that ever got into the business. If I could stop it tomorrow I would be the happiest man in the world.

Mr. IRVINE: You do it because you cannot get away without doing it?

Mr. LOFTUS: It is just one of those things.

Mr. MACINNIS: You are a creature of circumstance.

Mr. FLEMING: What has competition to do in bringing that about?

Mr. WINTERS: Mr. Chairman, does my turn come up now or is this supplementary to this question, too?

The VICE-CHAIRMAN: Mr. Winters has been wanting to ask a question for some time.

Mr. WINTERS: Go ahead. I presume Mr. Fleming will say it is supplementary.

Mr. FLEMING: On this last point I was simply going to ask what bearing competition has on this matter of rebates, or putting it the other way, rebates on competition?

Mr. LOFTUS: Well, competition is really the bug of the whole thing. If you did not have competition you could go on, but there is no more competitive industry in Canada than the bread industry, and consequently some of them think that other people are rebating and then they give rebates, and all the time the rebates have not been given in the first place. That is one of the bones of contention.

Mr. MAYHEW: You are not opposed to rebates but you are opposed to seeking rebates?

Mr. LOFTUS: Yes, I am.

Mr. MAYHEW: Or are you opposed to rebates as a whole?

Mr. LOFTUS: I am opposed to rebates unless a certain volume. I think it should be set up at a certain volume and everybody should give the same.

The VICE-CHAIRMAN: I suggest that perhaps if you would discuss the sin you are thinking of committing before you commit it that you might get past that all right. Mr. Winters, you have been wanting to ask a question. If you are not too surprised you might do it now.

Mr. WINTERS: In the next fifteen or twenty minutes I am sure they would have been asked and answered. I have one or two questions on page 2 of Mr. Loftus' statement. The first one is on subsection C on page 2 in connection with the commission paid on sales. My question is do you pay commission on the dollar value of sales?

Mr. LOFTUS: It is paid on the money they bring in.

Mr. WINTERS: That answers that.

Mr. LOFTUS: The answer there is if you give it on the sales of course there would be lot of credits, so it is paid on the money they bring in.

Mr. WINTERS: The next question arises out of subsection F in which you say you upgraded your formula which produced a superior product but added from $\frac{1}{4}$ to $\frac{1}{2}$ cent on the cost of a loaf?

Mr. LOFTUS: Yes.

Mr. WINTERS: Would you say why you upgraded your formula?

Mr. LOFTUS: Yes. It has always been our ambition to give the public the best loaf we can and the loaf was considerably down in ingredients because many

of the ingredients were very difficult to get, including fats. As soon as we were able to get fats and sugar we added up the tone of the bread and gave a much better loaf.

Mr. WINTERS: Under the system of controls when the price was fixed would it at any time have been the policy to degrade the formula?

Mr. LOFTUS: It was degraded. That is a bad word. It was brought down.

Mr. WINTERS: You cannot realize a greater profit because your price is fixed so the only way you can increase your margin is to degrade your formula?

Mr. LOFTUS: That is quite true.

Mr. WINTERS: Was that done as a policy or was it done because there was a shortage of ingredients?

Mr. LOFTUS: It was done because they just did not have the ingredients.

Mr. WINTERS: Apart from that was there any other reason?

Mr. LOFTUS: No. Of course, as soon as we got them we stacked up our loaf. I presume every baker did.

Mr. WINTERS: Are you just coming back to what you think it should be or are you upgrading your formula even though you run the risk of losing money by doing it because you are forced to under pressure of competition?

Mr. LOFTUS: When it was done there was no thought at all in my mind about the price going up or going down. The ingredients were available and I wanted to give the public a better loaf.

Mr. WINTERS: If you are having such a tough time operating with costs the way they are now and the price prevailing why would you not have maintained your formula? Were you forced to that by competition?

Mr. LOFTUS: Again competition, and do not fool yourself. The public know a good loaf of bread.

Mr. WINTERS: You were forced to that despite the fact you were more comfortably off financially with the old formula?

Mr. LOFTUS: Of course, everything came in such an onslaught on to us in the last three months of the year, increases, and so many of them, that the price just simply had to go up. There was not anything else to do.

Mr. WINTERS: On Friday when Mr. Earwaker made his statement he said that they were much better off under a system of controls. Would it have been a part of his thinking that under controls they could continue to sell a degraded loaf for a fixed price?

Mr. LOFTUS: Well—

Mr. WINTERS: Do you think that?

Mr. LOFTUS: That is a matter of opinion. During the control days the volume was lovely and we were doing very well. Prices were all held in leash but, of course, the controls had to come off. If we could have continued as we were a year ago we would have been perfectly happy.

Mr. WINTERS: Of course, owing to the shortage of materials you could still degrade the loaf and not worry too much about it. Your conscience would not bother you on that score?

Mr. LOFTUS: Oh, yes, I believe it has been done.

Mr. WINTERS: My next question arises out of the paragraph just preceding the paragraph entitled conclusion on page 2 where you say:

The foregoing adjustments referred to in (b) (c) (d) (e) and (f) reflect a higher cost of at least 3 cents per 24-ounce loaf.

In subsection B it is said that the increase in the price of flour added the equivalent of 2.13 cents to the basic cost of a 24-ounce loaf of bread. Then also at the time the subsidy was lifted you had a five weeks' supply of flour on hand.

Mr. LOFTUS: We did.

Mr. WINTERS: And one week after the subsidy was lifted you increased your price to 13 cents. In other words, you took in the whole 3-cent margin?

Mr. LOFTUS: That is right.

Mr. WINTERS: Despite the fact you had four weeks of cheaper flour on hand, let us say. Why did you raise the price at that time?

Mr. LOFTUS: Well, you can put in two reasons there. Any baker of any account should have a two months' supply of flour on hand. He cannot take the flour right in from the car and make proper bread out of it. It has got to be aged, and flour should be in the factory two months.

Mr. WINTERS: That does not have anything to do with bringing flour into the factory.

Mr. LOFTUS: Yes, it does, because due to the rationing we were down.

Mr. WINTERS: You had five weeks supply of flour.

Mr. LOFTUS: Yes, we had five weeks supply of flour.

Mr. WINTERS: Why did you not go on with the five weeks usage before you raised the price?

Mr. LOFTUS: Well sir, have you ever found any business man doing that? What if it went the other way?

Mr. WINTERS: I would prefer you to answer the question.

Mr. LOFTUS: I do not think I will answer the question.

The VICE-CHAIRMAN: Your question is why did he not wait until the five weeks supply of cheap flour was used—

Mr. WINTERS: Why did he not wait until the five weeks' supply was used before he raised the price?

Mr. LOFTUS: Well you could not live at less than 14-cent bread and it was only a matter of five weeks. Consequently we had the benefit of it in the next two months.

Mr. WINTERS: That is not evident here. I think my question goes a little farther; you did not need the 3 cents while the flour continued at the old rate. Now you had five weeks' supply at the old rate, so why did you raise the price before it was consumed?

Mr. LOFTUS: If we had not increased the price at that particular point we would have had an awful lot of trouble five weeks afterwards. The public was ripe for it then, and that was the time to raise it. I am being honest about this. You people in Ottawa told the public the subsidy was coming off and it was advertised in all the newspapers. If we had waited until every bag of flour we had in our factory was gone—well, heaven help us.

Mr. WINTERS: Is there any good reason why you could not have operated at your low rate until your five weeks' supply of flour at the cheaper rate was consumed? Then you could go to 13 cents?

Mr. LOFTUS: We tried to go to 13.

Mr. WINTERS: I beg pardon, I did not hear that answer.

Mr. LOFTUS: We would have had to go to 14 then at that point.

Mr. WINTERS: That is not evident from your evidence so far. Maybe we will get it from the figures.

Mr. LOFTUS: Maybe you will.

Mr. WINTERS: Apart from what you have said you have no reasons to support your increase before the five weeks' supply was consumed.

Mr. LOFTUS: We could have gone on for 2 or 3 weeks but it would have been very bad business. The statement here will show you.

Mr. WINTERS: Would you care to add a little more to what you have said?

Mr. LOFTUS: Yes, surely. Here they are, on page 4a. The percentage of profit in the month of August was .8; the percentage of profit in September, 1947 was 6.5. Now that is when the price of bread went up, and the percentage in October was 9.5. Those were the two months in which we had the five weeks' extra supply of flour. In the month of November, 1947, the figure has dropped down to 1.0; and in December, the biggest month we have in the year, with all our Christmas produce, and this is over-all, the profit was .1; and in January there was a loss of .14.

Mr. FLEMING: 1.4.

Mr. LOFTUS: 1.4, yes, I'm sorry. In these months the average was 2.8. You see where we would have been if we had not taken the benefit of the few weeks' flour we had.

Mr. WINTERS: Did you consider at that time continuing your formula and keeping the price down?

Mr. LOFTUS: To be quite candid I never gave the formula a thought.

Mr. WINTERS: No, but you increased your cost?

Mr. LOFTUS: Yes.

Mr. WINTERS: By improving your formula?

Mr. LOFTUS: Yes.

Mr. WINTERS: At the same time you took advantage of this five weeks' supply of flour?

Mr. LOFTUS: That was done in October, after these two months—towards the end of October.

Mr. WINTERS: At any rate, continuing your existing formula you could have saved $\frac{1}{2}$ cent a loaf on your bread?

Mr. LOFTUS: Yes, but I would have had a lot less volume because the position all over is competition again.

Mr. WINTERS: What would have been the difference had you continued on with the old formula until after the five weeks' supply was used?

Mr. LOFTUS: We were not making money before, and we certainly were not making money afterwards.

Mr. WINTERS: Because, in the meantime you had upped your costs by an improved formula.

Mr. LOFTUS: Yes, $\frac{1}{2}$ a cent a loaf, for the simple reason—well, I had better not say anything about that—but our bread had to be better. We had to make the best loaf that could be made. Consequently we had to put extra ingredients in the loaf. It was not a case that we were improving it because we knew the price of bread was going up. We never even thought of the price of bread at that time. We wanted to give the public better bread because we knew of the stiff competition ahead of us. It was post-war days and we knew what was going on. Canada Bread was not going to stand back and take any licking.

Mr. MACINNIS: Could the witness say how much the increase in the amount of milk in the new formula added to the cost of the loaf? The amount I think was increased from 120 pounds to 180 pounds. That is shown in schedule 9.

Mr. FLEMING: Well we are ahead of ourselves now. I thought it was pretty well understood that any specific questions on these later schedules were going to be left until we got to them?

Mr. MACINNIS: I think this is quite to the point being made by Mr. Winters. If it is hard to find I will ask another question. You said that the change in the formula was perhaps forced on you by the competition, perhaps that is a little strong, but it was done in order to fortify yourselves against competition, is that correct?

Mr. LOFTUS: I would say so.

Mr. MACINNIS: When Mr. McGregor was here, Commissioner of The Combines Investigation Act, he was asked by counsel in regard to this matter. I think it would be well to put Mr. McGregor's answer on the record here because it seems that his conclusion is opposed to yours. The reference is on page 175 of the proceedings and Mr. Dyde says:

Q. This may be a hard question for you to deal with, and you tell me if it is. I am still looking at paragraph 9 and at the same sentence and group of sentences. Can you in any way refer that to bread, for example? I am taking bread because of its particular interest. What types of cost could come into bread, for instance, which would make your sentence there correct? What types of cost could creep in to prevent cost plus a fair profit from equalling a reasonable price?—A. It might be in the selling costs, the actual distribution of the product. During the war years the prices board prevented for example, any special deliveries of bread. That may creep in again. In the absence of price competition a baker may very well, in order to retain the goodwill of the consumer, make special deliveries, may add materials to the loaf that may not be necessary for the public. They may add more milk to the loaf, and as a result of that increase the price of the loaf. Although the amount of milk or milk powder going into the loaf might be very slight, the product could be advertised as very much improved and very much better for the public, and the result would be a higher price. I suggest if you want to think of milk as a very valuable addition to our diet because of its nutritional value we might better buy a quart of milk than pay an additional price for the milk that might be put into a loaf of bread. There are other costs that will creep into the price, costs that will advance the price if there is not pretty substantial price competition that holds the price at a fairly low level.

Now you say you have been compelled by competition to improve your formula for your bread but Mr. McGregor, who ought to know something about this, says that the lack of competition leads to those same abuses? Now which one is correct?

Mr. LOFTUS: Well, that is a matter of opinion. I am not holding any brief for Mr. McGregor, I do not know anything about him or his ideas, but I do know this. In competition, and in merchandising, the man that does not keep his products up to the highest standard is going to go by the board; and do not think for one minute, Mr. MacInnis, that the loaf of bread we make is cake or anything like that. It is a good substantial loaf of bread and it cannot be made any lower in cost. By the way you asked a question about milk?

Mr. MACINNIS: Yes.

Mr. ANTLIFF: The figure is 1/7 of a loaf, .145.

Mr. MACINNIS: .145, thank you. Now, would you explain your point in paragraphs (c) and (d) of the report which you read to us. You have said "due to the pressure of rising costs of living, the company considered it unfair to its

staff of delivery salesmen to reduce the rate of commission paid on sales. This added a further delivery cost equivalent to at least .35 cents per 24-ounce loaf."

Mr. LOFTUS: Yes.

Mr. MACINNIS: Would you explain that additional cost?

Mr. LOFTUS: It would be an additional cost because the men are paid on commission. For instance, if the price of bread goes up 3 cents a loaf the rate of commission is a steady wage of 7 per cent or 6 per cent—that is practically what the figure is. We can say 7 per cent on wholesale and 14 per cent on retail. In some places it is 15 per cent.

Mr. MACINNIS: That .35 would be an addition to what he was already getting?

Mr. LOFTUS: That is right.

Mr. MACINNIS: Now, if you come to paragraph (d)?

Mr. LOFTUS: Yes.

Mr. MACINNIS: That deals with wages and salaries?

Mr. LOFTUS: Yes.

Mr. MACINNIS: And there you say you did increase salaries and wages. You said it was a modest wage revision but it only amounted to .10 of a cent?

Mr. LOFTUS: Yes, but there were others in the previous months ahead of that. I will give you those.

Mr. MACINNIS: Would you give me the number of persons affected in (c) and the number of persons affected in (d)?

Mr. ANTLIFF: We have approximately 900 salesmen.

Mr. MACINNIS: 900 salesmen; and how many bakery employees and salary workers?

Mr. LOFTUS: About 1,800, office and all.

Mr. MACINNIS: Well, that is in the commission paid, then; that is an increase in the commission to salesmen and they got about three times the increase the others did?

Mr. LOFTUS: There are several factors there because, in the bakery, previous to that, there was an increase.

Mr. ANTLIFF: As a matter of fact, Mr. MacInnis, there is a possibility, a real possibility, that in the sales end of it there may be a decrease in volume arising as a result of the increase in price which would have a detrimental reaction on the salesman's take-home pay, but the cost per loaf for delivery embodied in his wage would increase.

Mr. LOFTUS: Supposing he dropped 25 per cent in the sales of his cakes or sweet goods, that would definitely bring down his receipts and that would give him that much less in his pay. He does not get the whole thing. He would, if it had kept up in the last four months, but it has not kept up.

Mr. MACINNIS: He would get the increase of .35?

Mr. LOFTUS: Yes, but then again, the salesmen had not had an increase and the other departments had quite a considerable increase in many cases.

Mr. ANTLIFF: In one case it is a fixed increase and in the other case it is fluctuating.

Mr. JOHNSTON: On page 2 of the brief, paragraph (f), there is a reference to the change in the formula. I think the witness said he did that because of competition. Am I right in that, Mr. Loftus?

Mr. LOFTUS: Competition—you can define competition in many ways. I wanted to keep the standard of Canada Bread at the very highest level and I felt that our bread could be enriched, it should be enriched and that is exactly what I did.

Mr. JOHNSTON: You think, under this new formula, your bread is superior in quality nutritionally and otherwise to any other bread on the market?

Mr. LOFTUS: Is this for the newspapers?—definitely.

Mr. JOHNSTON: You do consider it superior?

Mr. LOFTUS: I do not eat any other bread.

Mr. JOHNSTON: You would not eat an inferior bread?

The VICE-CHAIRMAN: I know you are not asking these questions just for the purpose of effecting a greater sale of this bread?

Mr. JOHNSTON: He does not sell in Calgary. How do you know that your bread is a better quality today than the A & P bread?

Mr. LOFTUS: How do I know?

Mr. JOHNSTON: Yes.

Mr. LOFTUS: I do not have to be told about that. I will score the bread and find out.

Mr. JOHNSTON: How do you do that?

Mr. LOFTUS: We can score bread. This is done very fairly because there is no use kidding yourself.

Mr. JOHNSTON: Do not kid us, anyway.

Mr. LOFTUS: That would be very difficult to do. We will buy bread from these different companies. One man, who is not in on the scoring, will put all that bread out on a table, 1, 2, 3, 4, 5, 6 and 7. He will put the name of the manufacturer underneath the loaf with the name facing the loaf. Then, we score the loaf. Generally, we score it for external qualifications; colour, bloom, rise, jump at the side—this may not be familiar to you people. Then, we score it for texture, colour, aroma and taste. We very seldom figure the taste because we know if all those characteristics are there, the taste is there. I very seldom taste the loaf unless I am tasting it at home.

Mr. JOHNSTON: Who is the person who finally determines—

Mr. LOFTUS: The housewife.

Mr. JOHNSTON:—whether one bread is better than another? I suppose that is the housewife?

Mr. LOFTUS: Yes, but we do know what the housewife wants or needs in bread. I think I should know, after 37 years. I think I know she wants colour. I have been arguing with men in the business world, "Why don't you give them brown bread", and so on and so forth. The public does not want brown bread. They want the whitest loaf they can possibly get. It shows up in the percentage of brown bread we are making.

Mr. JOHNSTON: You said you had all these breads laid out on a table?

Mr. LOFTUS: Yes.

Mr. JOHNSTON: And the name of the company under each one?

Mr. LOFTUS: Yes.

Mr. JOHNSTON: Where did the A & P bread come in that rotation?

Mr. LOFTUS: Do I have to answer that?

The VICE-CHAIRMAN: Is there any objection to answering it?

Mr. LOFTUS: I will put it this way; it is a long time since I have scored the bread and I really don't remember.

Mr. JOHNSTON: You do not remember, Mr. Loftus, which is the better quality?

The VICE-CHAIRMAN: Just a moment, I should like to clear up something. You were wondering whether it was quite fair to ask you to answer that

question and, at first glance, I could not see any objection to it. Then, you said you had forgotten anyway, so why were you objecting to answering something that you did not remember.

Mr. LOFTUS: Mr. Johnston was asking me my method of scoring which I gave him. Then, he immediately threw the question at me, "How did the A & P come out in this?" Well, I do not want to talk about the quality of my competitor's—

The VICE-CHAIRMAN: If you did not remember the answer to the question anyway, what objection would there be to it?

Mr. LOFTUS: You fellows are lawyers and you are—

Mr. JOHNSTON: No, leave me out of that. I am not a lawyer.

Mr. LOFTUS: —and you are throwing these questions at me. I am just a baker—

The VICE-CHAIRMAN: Do not depreciate yourself. You have been getting along all right. There has been no difficulty in that regard. You do not need to give yourself a low rating as a witness.

Mr. LOFTUS: Thank you very much.

Mr. JOHNSTON: Just before we leave that, I want to pursue the question a little further. The witness has gone to great lengths—I am not objecting to this—to tell us he had a very fine quality of bread.

Mr. LOFTUS: Yes.

Mr. JOHNSTON: His bread is selling at a higher price than the A & P bread?

Mr. LOFTUS: Yes.

Mr. JOHNSTON: Then, he said he had scored all these. This is the first witness we have had who has particular knowledge of the quality of breads which are sold. I think it is very important to this committee—I am not concerned whether the A & P loses sales because of this, or whether you gain them—I think this is a very important point. This witness has told us he has these breads all lined up and he has determined the quality of these different breads. The question has been put here on many occasions as to whether the A & P was selling bread at an unfair price, I will put it that way. It has been said that they are selling it below cost.

The VICE-CHAIRMAN: It has been called an unfair practice.

Mr. JOHNSTON: We will call it an unfair practice. This witness has inferred that this cheap bread which the A and P puts out is of very inferior quality.

Mr. LOFTUS: No, I did not.

The VICE-CHAIRMAN: No, just to get it clear, I do not think the witness ever got to the point of saying that the A and P was inferior. You asked him where it would stand in the scoring and, at that point, if I may use the expression, he balked. Then, when the question was allowed as a proper question he said he did not just remember the last incident of scoring.

Mr. LOFTUS: Neither do I.

The VICE-CHAIRMAN: He certainly did not go to the point, yet, of depreciating his competitor's bread.

Mr. JOHNSTON: I think it is very important that we know, in this list of scores, where the A and P bread comes.

Mr. MACINNIS: I am going to object to asking a witness to compare his bread with another person's bread because he is not an impartial witness on that particular matter. If we want to have bread scored, then we can get somebody who is not in the bread business to do it.

The VICE-CHAIRMAN: You have all heard the statement about somebody being saved by the gong. I do not know who is being saved by the gong, but it is six o'clock so the committee will adjourn until tomorrow morning.

The committee adjourned to meet again on Tuesday, March 9, 1948 at 11 a.m.

APPENDIX

1947 Annual Report

CANADA BREAD CO., LIMITED

Head office: 224 Davenport Road, Toronto

Board of Directors: C. H. Carlisle, R. S. Waldie, A. W. Holmstead, K.C., G. C. Leitch, A. V. Loftus, A. G. Walwyn.

Officers: C. H. Carlisle, President; R. S. Waldie, Vice-President; A. V. Loftus, General Manager; W. S. Antliff, Assist. General Manager and Treasurer; L. F. Enright, Secretary.

DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE FISCAL YEAR ENDED JUNE 30, 1947

The operations of the Company during the war and since the war may be better understood by comparing the major items of operation with the last pre-war year, 1939: Increase in volume of products 101 per cent; Increase in value of total sales 107 per cent; Increase in the cost of ingredients in a loaf of bread, exclusive of flour 60.9 per cent.

The price of wheat July 1, 1939, was 55½ cents per bushel.

The subsidized price of wheat during the fiscal year under review was 77½ cents per bushel.

The export price to Britain is \$1.55 per bushel, plus 3½ cents per bushel for transportation.

The export price to countries other than Britain averages about \$2.56 per bushel.

The sale price of a loaf of bread in 1947 is identical with that of 1939.

It is quite evident, if the subsidy on wheat be removed, that the price of wheat milled for domestic consumption to the Canadian baker will be very materially increased, resulting in a relative increase in the price of bakery products.

In ratio to sales, and compared with 1939, the increased relative cost of wages paid for production of bakery products is 37.6 per cent.

The cost of equipment compared with 1939 shows an increase varying from 25 per cent to 45 per cent.

Motor cars and trucks are major items of expense. The Company operates 668 motor trucks and makes deliveries over 967 routes.

The increased cost of panel trucks used on route deliveries is 49 per cent, compared with the year 1939.

In ratio to sales, and compared with 1939, the increased relative cost of maintenance of the fleet is 40.7 per cent.

The cost of the motor fleet equipment is \$897,214.82, of which purchases made during the fiscal year amounted to \$541,997.91.

The year's volume of sales is the largest in the history of the Company. The number of customers exceed those of any previous year.

The Company is in a strong financial position; it has no bank indebtedness, a cash position of \$445,317, \$100,000 in Dominion of Canada bonds. The working capital is \$775,250. Advantage is taken of all cash discounts.

CAPITAL STRUCTURE

The Company has no outstanding bonds or debentures.

Issued Capital Stock:—20,000 shares First Preference, par value \$100, dividend rate 4½ per cent, callable after July 1948 at \$103; 25,000 shares Class "B" Preference, par value \$50, dividend rate \$2.50 per share: 200,000 shares Common, no par value.

As Government restrictions and controls are removed, and materials become more plentiful, the Company will be in a position to increase the diversity and quality of its products.

The death of Mr. C. B. Shields, a Director of the Company for the past fourteen years, is regrettable. He was a capable business man. He put duty and service before personal interest. He was frank in the things that he did. The service he rendered was of great worth.

On behalf of the Board of Directors.

Respectfully submitted,

C. H. CARLISLE,

President.

CANADA BREAD COMPANY, LIMITED
(Incorporated under the Ontario Companies Act)
And its Wholly-owned Subsidiary
Consolidated Balance Sheet as at 30th June, 1947

<i>Current:</i>		ASSETS	
Cash on hand and in banks			\$ 445,317.03
Dominion of Canada Bonds—at cost			100,000.00
(Market value \$104,750.00)			
Accounts receivable, less reserve for doubtful accounts			216,142.46
Inventories of ingredients, finished products and supplies, as determined and certified by the management, valued at the lower of cost or market less reserves			703,498.27
Prepaid insurance, taxes, etc.			109,608.32
			<u>\$1,574,566.08</u>
<i>Sundry:</i>			
Refundable portion of taxes on income	\$ 11,500.00		
Mortgage	5,600.00		
			<u>17,100.00</u>
<i>Fixed:</i>			
Buildings and equipment—at cost	\$6,429,306.48		
Less reserve for depreciation	3,734,681.23		
	<u>\$2,694,625.25</u>		
Land—at cost	340,205.30		
			<u>3,034,830.55</u>
<i>Goodwill</i> (less amounts written off)			500,000.00
			<u><u>\$5,126,496.63</u></u>

LIABILITIES

Current:

Accounts payable, wages and other accrued charges	\$ 687,231.01
Reserve for taxes (including income and excess profits taxes)	53,960.02
Dividends payable 2nd July, 1947	58,125.00
	<u>\$ 799,316.03</u>

Trust Funds:

Deposits by salesmen	\$ 73,525.92
Less cash and government bonds held in trust	73,525.92
	<u>100,000.00</u>
Reserve for contingencies	

Capital:

Authorized and issued—

20,000 4½% first cumulative redeemable preference shares of \$100 each, redeemable at \$105 per share to 1st July 1948 and at \$103 per share thereafter	\$2,000,000.00
25,000 5% cumulative participating redeemable class "B" preference shares of \$50 each, redeemable at \$100 per share	1,250,000.00
200,000 common shares of no par value	25,000.00

	<u>\$3,275,000.00</u>
Earned surplus	952,180.60
	<u>4,227,180.60</u>
	<u>\$5,126,496.63</u>

Statement of Consolidated Profit and Loss for the Year Ended 30th June, 1947

Profit on operations before deducting the charges set out below	\$ 892,813.77
Add:	
Interest earned on investments	\$ 15,966.00
Profit on sale of investments	30,687.50
	<u>46,653.50</u>
	\$ 939,467.27
Deduct:	
Payments under employee pension plan	\$ 99,645.33
Provision for depreciation of buildings and equipment ..	326,899.85
	<u>426,545.18</u>
	\$ 512,922.09
Deduct provision for income and excess profits taxes	195,000.00
	<u>\$ 317,922.09</u>
Net profit for the year	

Statement of Consolidated Earned Surplus for the Year Ended 30th June, 1947

Balance at 30th June, 1946	\$ 739,258.51
Add:	
Consolidated net profit for the year ended 30th June 1947..	\$ 317,922.09
Adjustment of taxes of prior years on determination of standard profits by the Board of Referees.....	67,500.00
	<u>385,422.09</u>
	\$1,124,680.60
Deduct:	
Dividends—	
4½% first preference shares	\$ 90,000.00
5% class "B" preference shares	62,500.00
Common shares—10 cents per share	20,000.00
	<u>172,500.00</u>
	\$ 952,180.60
Balance at 30th June, 1947	

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Canada Bread Company, Limited and its wholly-owned subsidiary as at 30th June 1947 and the related statements of profit and loss and earned surplus for the year ended on that date. In connection therewith we examined or tested accounting records of the head office of the company, of its subsidiary and of certain of the principal branches and reviewed the reports furnished by the company's staff auditor on his examination of the records of the remaining branches. We also made a general review of the accounting methods and of the operating and income accounts for the year but we did not make a detailed audit of the transactions. All our requirements as auditors have been complied with.

We report that in our opinion, based upon our examination, the foregoing consolidated balance sheet and related statements of profit and loss and earned surplus have been drawn up so as to exhibit a true and correct view of the state of the companies' affairs as at 30th June 1947 and of the results of their operations for the year according to the best of our information and the explanations given to us and as shown by the books and branch statements.

Toronto, Canada,
31st July 1947

Clarkson, Gordon & Co.,
Chartered Accountants.

Prov. Doc
can
com
P
CAI 802
-45702
SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 20

TUESDAY, MARCH 9, 1948

WITNESSES:

Mr. A. V. Loftus, President and General Manager, Canada Bread Company Limited, Toronto.

Mr. W. S. Antliff, Assistant General Manager and Treasurer, Canada Bread Company Limited, Toronto.

Mr. Daniel F. Wilson, President, Christie's Bread, Limited, Toronto.

Mr. Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread, Limited, Toronto.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



MINUTES OF PROCEEDINGS

TUESDAY, March 9, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. A. V. Loftus, President and General Manager, and Mr. W. S. Antliff, Assistant General Manager and Treasurer, Canada Bread Company Limited, Toronto, were recalled and further examined.

At 12.40 p.m. witnesses retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, McCubbin, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Messrs. Loftus and Antliff were recalled and further examined.

Witnesses retired.

Mr. Daniel F. Wilson, President, and Mr. Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread Limited, Toronto, were both called at the same time, sworn and examined.

Mr. Wilson filed,

Exhibit No. 46—Statement covering various information prepared for presentation to the Committee.

At 5.40 p.m., witnesses retired and the Committee adjourned until Wednesday, March 10, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
March 9, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Honourable Paul Martin, presided.

The CHAIRMAN: I am anxious to hold a meeting of the steering committee, which may take a little time, with our accountants and counsel tomorrow. It is going to be a little difficult to arrange an appropriate time, but it is an important meeting, and I know that members of the steering committee will do their best to meet whatever decision we arrive at as to the hour. I was discussing it with Mr. MacInnis as to 10 o'clock but there is a difficulty about that, and counsel has something to take up which is very important. However, we might meet some time during the course of the day.

We still have Canada Bread with us. Our objective is not to conclude the hearing on bread but to conclude this phase of it if we can by Wednesday. Mr. Dyde, will you continue?

Mr. DYDE: Mr. Chairman, I have some questions for these witnesses which arise largely out of the questions and evidence given yesterday by Mr. Loftus and Mr. Antliff. I think I shall have to be forgiven if I stray from the strict order of the pages in the exhibit as some of the questions yesterday on which I wish to base my questions also strayed a little from the strict order. I should not be long with my questions, and then members of the committee will be free, of course, to return to any pages to which they wish to direct attention.

Mr. FLEMING: May I ask Mr. Dyde if it is the intention to go through the pages to the end?

Mr. DYDE: No, it is not. I have some general questions although I will be on the pages from time to time.

Mr. WINTERS: But we are going through the pages?

The CHAIRMAN: Yes, but Mr. Dyde has a series of questions that will take him from twenty minutes to half an hour which he would like to pursue. I would suggest that he be allowed to do so as closely as possible.

Mr. FLEMING: I would hope, too, that he will take us over the pages because I think yesterday our proceedings did suffer somewhat in orderliness in the afternoon because we did not go through the pages before taking up detailed matters. I think it would be very much better if Mr. Dyde took us through to the end of the brief, and then we could come back to deal with the pages.

Mr. WINTERS: I think yesterday we were dealing with the general statement before we got to the pages.

Mr. FLEMING: That is the trouble. We strayed into the pages.

Mr. CLEAVER: I think counsel should have a free hand.

Mr. IRVINE: I think so, too.

Mr. DYDE: Mr. Antliff, in your brief which is exhibit 44, you point to percentage rate of net profit to sales in August, 1947, which was less than 1 per cent, -9 per cent?

Mr. ANTLIFF: Yes.

Mr. DYDE: You seek to justify an increase of 1 cent a loaf in the price of bread on that fact alone. Now, I want to call your attention at that point

to the fact that you gave evidence that in July, 1947, the comparative figure was 2·5 per cent, and I think yesterday I asked you to supply also the figure for June, 1947. Are you able to give me that figure now, or will it have to be worked out?

Mr. ANTLIFF: I have not got it with me.

Mr. DYDE: Would you be able to work it out from the papers that you have? Then, Mr. Loftus, while Mr. Antliff is looking to see whether he can clear that up, you say that the removal of the flour subsidy on September 15 increased your flour cost by 2·13 cents per loaf?

Mr. LOFTUS: Yes.

Mr. DYDE: It is correct, is it not, that the cost of flour to you has decreased since September, 1947?

Mr. LOFTUS: Yes.

Mr. DYDE: I want to ask only this one question at the moment. Have you made any adjustment downward in price in consequence of the decrease in the price of flour?

Mr. LOFTUS: No.

Mr. DYDE: You had four weeks' supply of cheap flour on hand when the price was increased in September, 1947?

Mr. LOFTUS: Yes.

Mr. DYDE: You gave that evidence in answer to a question I think Mr. Winters asked.

Mr. LOFTUS: That is right.

Mr. DYDE: And you had the advantage of that inventory during that period when the price was increased?

Mr. LOFTUS: Right.

Mr. DYDE: Then you have also given evidence that you adjusted your formula at an additional cost of ·51 cents per loaf. Is that correct.

Mr. LOFTUS: That is correct.

Mr. WINTERS: Where is that evidence?

Mr. DYDE: That was also in—

Mr. LOFTUS: In one of the schedules.

Mr. DYDE: Reference was made to the schedule on which that appears yesterday, which is schedule 9.

Mr. JOHNSTON: Was that not $\frac{1}{4}$ to $\frac{1}{2}$ a cent a loaf?

Mr. WINTERS: In section F it says $\frac{1}{4}$ to $\frac{1}{2}$ cent.

Mr. DYDE: I wanted to clear that up. The reference in the evidence yesterday was $\frac{1}{4}$ to $\frac{1}{2}$ cent. Do you recall that, Mr. Antliff.

Mr. ANTLIFF: Yes, sir.

Mr. DYDE: But the actual figure is ·51?

Mr. ANTLIFF: If you refer to schedule 9 you will see it refers to the formula in use at the Bloor street bakery in Toronto, one of our large plants. Formulæ fluctuate from plant to plant. Other bakeries' margin of increase was less. That is why reference is made to the spread between $\frac{1}{4}$ of a cent and $\frac{1}{2}$ a cent. I can give you the other figure you have just asked for.

Mr. DYDE: What is the figure for June, 1947?

Mr. ANTLIFF: It is 3·28 per cent.

Mr. DYDE: 3·28 per cent.

The CHAIRMAN: Are you coming back to this question of flour later?

Mr. DYDE: Yes, sir. Another question which I should like you to answer for the purposes of the record at the moment is that although flour costs have

increased since the first of September, 1947, the increase has been limited by the fact that the price went up and then downward, and I think I am correct in saying from your exhibit that the increase in the flour cost from the first of September until the end of January is 1.89 cents per loaf. Is that right?

Mr. ANTLIFF: What exhibit would that be from?

Mr. DYDE: I think I would have to ask you to look at schedule 8, your schedule 8.

Mr. ANTLIFF: The cost per loaf at September 1 was 2.16 in Toronto and 2.21 in Ottawa and Montreal.

Mr. DYDE: But the difference between September 1, 1947, and February 6, 1948, is 1.89 cents, is it not?

Mr. ANTLIFF: Correct.

Mr. DYDE: I should like to give you the benefit of the topmost price you have given with regard to the change in formula. I should like to take it at .51 cent, and I should like to call your attention to the fact that your flour cost from September 1 to February 1 has increased 1.89 cents, and adding those two figures together I get 2.40 cents. That is correct, is it not?

Mr. ANTLIFF: That is correct.

Mr. DYDE: Now, when you compare September, 1947, with the first of February, 1948, that is the increase in your cost of flour and as I say, I give you the benefit of the doubt when I quote .51 cents as being the increase due to adjustment of formula, and I get a total of 2.40 cents?

Mr. ANTLIFF: That is right.

Mr. DYDE: In spite of the fact that that is so we find that towards the end of January you increased the price of bread another cent from 13 to 14 cents. I should like you to tell the committee how you justify the increase in January when you have in mind those two increases of cost.

Mr. ANTLIFF: Mr. Dyde, in addition to the items referred to there is also the matter of an additional amount paid to the sales staff arising from commission on the enhanced value of the selling price of the loaf.

Mr. DYDE: Stop there a minute. I do not want to get twisted on the salesmen's commission. The salesman gets more commission because the price has increased. Is that not correct?

Mr. LOFTUS: That is right.

Mr. DYDE: It is also correct to say that the salesman would not get increased commission unless the price went up?

Mr. ANTLIFF: That is quite true, yes.

Mr. DYDE: So that I come back to my question as to what your costs are, and if that is the only answer you can give then I am finished, if that is the only answer you are able to give.

Mr. ANTLIFF: It is certainly not the only answer. The 2.40 increase in cost which you have acknowledged would indicate that a further increase in price was required in order to offset the 2.40. In order to achieve any profit margin whatever in relation to cost that increase necessarily must be 3 cents, and having established a higher selling price additional commission goes with it, is bound up with the other higher cost.

Mr. DYDE: So that I think what you are saying now to the committee is that it is a vicious circle. You put the price up, that increases the commission, and that causes the price to go up again?

Mr. ANTLIFF: I would say the cost of living is a vicious spiral upwards which our salesmen and all other employees have to meet, and we have to help them meet it.

Mr. DYDE: But I bring you back to the fact that 2.40 cents is the total increase between September and February in your flour cost and ingredients?

Mr. ANTLIFF: No, no; I am sorry.

Mr. DYDE: Do you want to change that?

Mr. ANTLIFF: No, I do not want to change it, but there is also a matter of additional costs entering into certain products both for production and distribution which also have a bearing on the increased cost—and I have detailed them in subsection E—which would be also embodied in the increase. I have also referred in subsection D to the fact that increases were given generally to other employees in the bakery and office which also added to the cost and were an absolute necessity due to economic pressure.

Mr. DYDE: Then may I start with the 1.81 cents a loaf plus the .51 cents for adjusted formula. What do you want the committee to add to that figure of increased cost? I see .10 cents per loaf quoted by you in sub-paragraph D of the brief.

Mr. ANTLIFF: I want to add .35.

Mr. DYDE: For what?

Mr. ANTLIFF: For the additional payment to the sales staff

Mr. DYDE: Additional payment to the sales staff. Is that by way of commission on wages?

Mr. ANTLIFF: By way of commission.

Mr. LOFTUS: The biggest proportion of their take-away is commission.

Mr. DYDE: Yes. Again I say to you it seems to me that it is a spiral, that you put your price up, and that automatically means higher commissions, and then you say that fact causes you to put the price up again?

Mr. LESAGE: A vicious circle.

Mr. DYDE: Explain that if I am wrong.

Mr. ANTLIFF: The price goes up in the first instance because of factors beyond our control.

Mr. FLEMING: There is another factor—

The CHAIRMAN: Do not interfere with counsel.

Mr. FLEMING: Who is going to be allowed to make interjections?

The CHAIRMAN: Nobody.

Mr. ANTLIFF: These factors which I have indicated, apart from the matter of salesmen's commission, are something which have been forced on our company and the industry generally through causes beyond our control. Therefore, the increase in the price of bread is something which, in the first instance, is outside our jurisdiction. So far as the salesmen are concerned, in order to enable them to keep step with the cost of living it has been our practice to keep commissions on the same basis.

Mr. DYDE: I am going to leave it at that for a moment, Mr. Antliff. I would like you to look at schedule 5 of your exhibit 44.

Mr. ANTLIFF: Yes, I have it.

Mr. DYDE: Now, I assume these figures are struck off prior to the increase of 1 cent from 13 to 14 cents?

Mr. ANTLIFF: The increase that took place only covered the last three days of the month. It has no very material bearing but it has a slight bearing.

Mr. DYDE: At any rate on the regular brands of house to house delivery where the bread was selling for 13 cents your net profit per loaf in January is stated to be .54 cents?

Mr. ANTLIFF: That is correct, with the method of distribution overhead that has been worked out.

Mr. DYDE: Yes, and on the same page—I am skipping one column—I come to “Cottage brand” and the figure at the bottom is .87 of a loss.

Mr. ANTLIFF: Correct.

Mr. DYDE: The circle means a loss.

Mr. ANTLIFF: That is right.

Mr. DYDE: Now, then with regard to the last three columns of schedule 5, the columns headed “Cottage bread”, “Secondary brands house to house”, and “Secondary brands, stores”. Is it fair to say that is substantially the same bread?

Mr. ANTLIFF: As Cottage bread?

Mr. DYDE: Yes.

Mr. ANTLIFF: Identically the same bread.

Mr. DYDE: Those two secondary brands and Cottage bread are identical?

Mr. ANTLIFF: Correct.

Mr. DYDE: Yes. Now I would like to ask you to explain to the committee this point: you show a profit position on the regular brand, house to house, and you show a loss position on the Cottage bread, and that is in January 1948. Would you explain to the committee, looking at that position, if you felt you had to advance the price of bread, why did you not advance the price of Cottage bread which is showing a loss, instead of adding it to the regular brand house to house, on which there was a profit?

Mr. ANTLIFF: Because we had to protect the person who was purchasing the bread from us.

Mr. LESAGE: Would you speak louder please?

Mr. ANTLIFF: I am sorry, in order to protect our market.

Mr. DYDE: Who is the person who purchases from you?

Mr. ANTLIFF: Loblaw Groceries.

Mr. DYDE: Yes, and in order to protect Loblaw Groceries you refrained from increasing the price of Cottage bread?

Mr. ANTLIFF: Yes.

Mr. LOFTUS: That is right.

Mr. DYDE: And you added a cent to the regular brand house to house, although that was showing a profit position at the time?

Mr. ANTLIFF: That bread was showing a profit but you have to take the overhead expenses on a per loaf basis. All bread was taken in the same proportion, in relation to overhead cost, and on that basis it works out along the lines referred to in the exhibit.

Mr. DYDE: Yes, and I am not wanting to force you into any position but I am simply looking at the schedule and asking you to make it clear?

Mr. ANTLIFF: I am most anxious to give all the facts as satisfactorily as I can.

Mr. DYDE: Yes. Now you were not the first baker to advance the price in 1948 were you?

Mr. ANTLIFF: No, sir.

Mr. DYDE: We have that fact in evidence—and certainly a gentleman did say that Christie's were the first to raise the price in January—would you know that?

Mr. ANTLIFF: I believe that is right.

Mr. DYDE: And did you increase the price in Ottawa?

Mr. LOFTUS: No, we did not.

Mr. DYDE: And you did not increase it in Brockville or Cornwall?

Mr. LOFTUS: No.

Mr. DYDE: Would you explain to the committee why you did not increase it in those places also?

Mr. LOFTUS: Because of competitive conditions and, perhaps, in the same class, we did not have the courage.

Mr. DYDE: What do you mean by competitive conditions?

Mr. LOFTUS: Well, it is impossible for any firm to go out with a higher price and expect to hold their volume of business when other people are selling lower. We have got to be competitive, as I explained yesterday, and we are competitive in those centres.

Mr. DYDE: Someone was continuing to sell at 13 cents in Ottawa, Brockville and Cornwall?

Mr. LOFTUS: Yes.

Mr. DYDE: So you remained at that price too?

Mr. LOFTUS: Our manager in the city of Ottawa, when I discussed it with him as I did—I can give you an illustration of that. In the city of Ottawa we have had a very nice profit each month for a considerable period of time. The profit in this particular city dropped to \$100 a month in January and we have got what I consider a very nice business in this city and district. In the month of February the profit came up, I think it was a little over a hundred. It shows you what Ottawa was doing with 13-cent bread. We dropped from a very nice profit in the previous month to \$100 in January and close to that in February, so that Ottawa cannot go on under the existing prices.

Mr. DYDE: Now, Mr. Loftus, I would like to refresh your memory for a moment in regard to an answer that you gave to Mr. Winters. You said, and you were referring to the increase in price of 3 cents in September—

Mr. LOFTUS: Yes.

Mr. DYDE: You said “If we had not increased the price at that particular point we would have had an awful lot of trouble five weeks afterwards”.

Mr. LOFTUS: I did say that.

Mr. DYDE: “The public was ripe for it then and that was the time to raise it”.

Mr. LOFTUS: Yes.

Mr. DYDE: “I am being honest about this—”, and I am still quoting.

Mr. LOFTUS: Yes.

Mr. DYDE: “You people in Ottawa told the public the subsidy was coming off and it was advertised in all the newspapers. If we had waited until every bag of flour in our factory, well—heaven help us”.

Would you explain to the committee what you mean by “well—heaven help us”?

Mr. LOFTUS: The only answer that I can give would be that I am afraid they would have been looking for another general manager.

Mr. DYDE: You mean you would have lost money?

Mr. LOFTUS: Definitely.

Mr. DYDE: Would your loss have been attributed to the fact that you had adjusted your formula?

Mr. LOFTUS: Oh, no.

Mr. DYDE: In any way?

Mr. LOFTUS: No.

Mr. DYDE: You had adjusted your formula?

Mr. LOFTUS: Sure, we did.

Mr. DYDE: And it meant increased costs.

Mr. LOFTUS: That, of course, is a matter of competition again, and also a matter of merchandising. We wanted to give the public, as I say, the best loaf of bread. We felt we were not giving a good enough loaf, especially when controls came off and when shortening and sugar were more plentiful, so we did what other firms did. We gave a better loaf. Of course, we want them to eat more bread.

Mr. DYDE: Incidentally you got a very material money advantage out of your inventory, did you not?

Mr. LOFTUS: Yes, we did for five weeks but then you must look at the statement for the months of November, December and January. You have got to balance it up. You cannot run a business thinking that you are going to get it in one month, but it is over the months that you have got to get a percentage of profit. It was 2·8 per cent over the last six months and that is not profiteering, or at least I would not think so.

Mr. DYDE: I am not suggesting for a moment that it is profiteering.

Mr. LOFTUS: Those two particular months, October and November, carried the six months. I am referring to September and October. Had we not had that—well, it was a blessing in disguise. I wish to heavens we had had three or four months.

Mr. MACINNIS: Where does the disguise come in?

Mr. DYDE: You had that "blessing in disguise" as you call it, but the fact remains that in schedule 5 in January 1948 you were on the profit side on your regular house to house delivery?

Mr. LOFTUS: Of course you know, Mr. Dyde, you have got to take the other things into consideration. We might have been ahead on that but if you do not have the other volume—volume means a great deal in the competitive market and you have to hold it up. There is no other business outside the bread industry that has to watch its pennies any more than we have to.

Mr. DYDE: Would you say in January 1948 then that you were holding yourself up—the company's operations—by charging the householder a sufficient price so that you would not have to interfere with the price of the Cottage bread being sold to Loblaw's.

Mr. LOFTUS: I would say definitely no. I think Mr. Antliff has some figures.

Mr. ANTLIFF: I would like to say, Mr. Dyde, that if we had simply thrown overboard the cheap bread and had not applied the overhead which is 78 cents as spread over the Cottage bread, the secondary brands house to house, and secondary brands, stores—the overhead would have been substantially different had it been thrown against the house to house and I doubt if there would have been any profit in that either. I am sure there would not.

Mr. DYDE: You would have to go through the figures to be sure of that. I was quite willing to accept a glance at this page for the explanation.

Mr. ANTLIFF: That is the explanation and I think it is a correct one.

Mr. DYDE: I think there is a correct answer which you gave a few moments ago. You did not want to disturb Loblaw's.

Mr. LOFTUS: No sir, the Loblaw concern is a company which we have been serving for upwards of 18 years. Through all the battles we have supplied them exclusively and it would be a very unfair thing if they are, perhaps, in trouble

meeting competition to say to them "Well you cannot have the bread". I just would not do it. I am going to say even if it is a loss to Canada Bread Company I am going to support them. There is a loss there, there is no question about that.

Mr. FLEMING: Whose loss?

Mr. LOFTUS: We have a loss.

Mr. FLEMING: On the 10-cent loaf?

Mr. LOFTUS: Yes.

Mr. FLEMING: It is a loss to you?

Mr. LESAGE: Why do you not let Loblaw's take the loss if they want to meet the competition?

Mr. LOFTUS: Definitely they are taking a loss at the present time. All you have got to do is to look at their over-all profit.

Mr. ANTLIFF: The selling cost established in evidence was 15.54 per cent and that is more than the 10 per cent margin of mark-up.

Mr. LESAGE: Well I am not going to argue with you gentlemen as to what the gross margin for a retail store should be. However, there is no doubt handling bread in a retail store does not demand a larger margin than 10 per cent when they only take 5 per cent on butter. You are not in the retail business and I think the evidence we have is exactly contrary to what you have just said now.

Mr. FLEMING: Well now—

Mr. LESAGE: I am going to ask you why you do not let Loblaw's take the loss if there is a loss to be taken?

Mr. LOFTUS: My answer to that would be that I am a very poor salesman. Perhaps, I should go to them and say: "You have got to take less of a rebate than you are getting at the present time. We had hoped this situation would be cleaned up long before now, but unfortunately it has not.

Mr. LESAGE: As a matter of fact if you let Loblaw's meet their own competition you could sell house to house with a profit, as shown from schedule 5.

Mr. ANTLIFF: I have just explained that Loblaw's is along with the secondary brands, and taking the over-all fair share of overhead, if we did not have that business it would bring down the profit to the vanishing point.

Mr. LESAGE: But why do you not increase the price of the secondary brands instead of the price of the regular brands?

Mr. ANTLIFF: I would like to.

Mr. LOFTUS: We would like to, but again it is competition.

Mr. LESAGE: And keep the other price down to 13 cents?

Mr. LOFTUS: Say that again please?

Mr. LESAGE: And you could keep the other price down to 13 cents?

Mr. LOFTUS: We would not be able to.

Mr. LESAGE: Pardon me?

Mr. LOFTUS: We would not be able to unless some other conditions in our industry would help us. There are many factors that come in, rebates to stores, and other angles of that kind.

Mr. LESAGE: I will come to that. The price now in Toronto is 14 cents.

Mr. LOFTUS: I would like to sell at 13 cents; I would love to, and make a fair profit. There is nothing that would please me more.

Mr. LESAGE: By the way, do you suggest the retail price to the stores to which you sell your retail brands?

Mr. LOFTUS: Oh, no.

Mr. LESAGE: You do not?

Mr. LOFTUS: There is a retail price of what we sell to our house to house customers.

Mr. LESAGE: I am talking about the retail store price.

Mr. LOFTUS: No.

Mr. LESAGE: Do your salesmen not discuss the retail price?

Mr. LOFTUS: It is so long since I have been a salesman; I forget that part; but I would say yes, I believe they would.

The CHAIRMAN: I think we would get further if that kind of direct answer was given right at the outset.

Mr. LESAGE: Pardon me, sir?

The CHAIRMAN: I think we would get further with the witnesses if they gave direct answers at the outset.

Mr. LESAGE: Suppose one of your salesmen goes into a retail store. He goes there on the day the price is increased to 13 cents and again on the day the price is increased to 14 cents. The conversation would be something like this—if I am wrong, please correct me. The salesman would say, "Well, the retail price of bread is up this morning." The other man would say, "Yes, how much?" "Well, it is up to 13 cents, or up to 14 cents." The retailer would say, "What about my margin." "Oh, that is quite all right, your margin is going to be a little higher." That is what would happen, is it not?

Mr. LOFTUS: In the city of Toronto, where the price of bread went up to 14 cents, the margin for retail stores was reduced.

Mr. LESAGE: It will be about the same?

Mr. LOFTUS: No, it was reduced from 20 per cent to 2½ cents per loaf.

Mr. LESAGE: As a matter of fact, when you speak about a retailer's margin you are talking about a margin allowed to the retailer by the baker; is that not so?

Mr. LOFTUS: Yes.

Mr. LESAGE: Your margin is allowed by the baker to the retailer?

Mr. LOFTUS: That is right.

Mr. LESAGE: Then, the price is suggested. There is no doubt about it, if the margin is allowed.

Mr. LOFTUS: I think when the salesman goes into a store his conversation would be along these lines: "Well, Mr. Grocer, the price of bread is up a cent today." I believe that would carry it. There would not be much more conversation than that. He could take it that his retail selling price would go up a cent also.

Mr. LESAGE: The bakers allow a margin to the retailers?

Mr. LOFTUS: Yes.

Mr. LESAGE: On their retail price?

Mr. LOFTUS: Yes, that is right.

Mr. LESAGE: How can you say, then, that the retail price is not suggested, indicated or even fixed, if it is a margin allowed on the retail price?

Mr. LOFTUS: That is a matter of opinion, of course, Mr. Lesage. In my experience I have never found any case where we would go to a grocer and say, "Now, tomorrow morning your selling price will be so and so." We simply say that the price of bread is up a cent.

Mr. LESAGE: And your margin will be such and such from now on?

Mr. LOFTUS: On the retail price.

Mr. LESAGE: On the retail price, so much?

Mr. LOFTUS: That is right, yes.

Mr. LESAGE: That is surely an indication?

Mr. LOFTUS: Well, you can take it as such.

The CHAIRMAN: Have there not been some cases where retailers have sought to sell your bread at a certain price below the normal?

Mr. LOFTUS: To my knowledge, no.

The CHAIRMAN: May I finish my question? Have there not been some cases where they have and you have refused to sell them bread?

Mr. LOFTUS: I say, to my knowledge, no.

The CHAIRMAN: You say, to your knowledge. What about the company's knowledge?

Mr. LOFTUS: As I pointed out yesterday, Mr. Martin, we have close to 1,000 salesmen. It is very difficult to know what is in the minds of all these men when they are on the road. I know that with 57 per cent of our business wholesale, I think complaints we may have are very, very small in number. Any place where a report would come to us it would be corrected at once because we would not stand for it.

The CHAIRMAN: Could you find out for me now or through your files before one o'clock if you have in your employ G. H. Wilson, Robert Turner and J. K. Travers?

Mr. LOFTUS: I do not remember the names.

The CHAIRMAN: Could you let me know?

Mr. LOFTUS: Do you know in what city they are?

The CHAIRMAN: All in Toronto.

Mr. LOFTUS: We will find out.

The CHAIRMAN: I interrupted you, Mr. Lesage. Do you wish to continue?

Mr. LESAGE: I will come back to Loblaw's. Did you have any dealings with Loblaw's about the fact you were losing money on the bread you were selling to them at 9 cents?

Mr. LOFTUS: Oh, yes.

Mr. LESAGE: You have?

Mr. LOFTUS: Oh, yes.

Mr. LESAGE: You could not charge them one cent more?

Mr. LOFTUS: I could not charge them—I have never approached them along those lines.

Mr. LESAGE: Well, you discussed the fact you were losing money so you must have talked about the possibility of increasing your price by one cent?

Mr. LOFTUS: There was talk in the month of November—on the 24th of September, they made 1·55, that was a rebate, and on January 1, 1948, it was brought to 9 cents which was 1 cent. That meant there was almost a half cent difference that we made.

Mr. LESAGE: There is something I do not understand very well because you are complaining about the fact certain chain stores—

Mr. LOFTUS: Oh, did I?

Mr. LESAGE: You were talking about this meeting on the 3rd of March at which certain complaints were made against the A. & P. because they were selling bread retail at 10 cents.

Mr. LOFTUS: I do not think I mentioned any particular name. I am not sure of that.

Mr. LESAGE: Yesterday, I asked you the question directly and you said yes. You said that Colonel Ruttan had been instructed to take the complaint to the National Bakers, if I remember correctly, and I think you will agree with me that you gave me that answer?

Mr. LOFTUS: Yes, that is right, Mr. Lesage.

Mr. LESAGE: You complained about the fact A & P were selling bread below cost, as a loss leader; that is, your association did and you were present at the meeting. Now, in order to do exactly the same thing yourself, you charge one cent more to the housewife on bread delivered to her. Can you explain that to me?

Mr. LOFTUS: I have explained it before, Mr. Lesage, but I will say it again. Loblaw's have been a very valued customer of ours for years. I am certainly not going to let them suffer if there is a competitor out with cheap bread; I am certainly going to see that they have it.

Mr. LESAGE: In order that they do not suffer, you are ready to charge one cent more to the consumer?

Mr. LOFTUS: Absolutely no. Our figures show that is not correct.

Mr. LESAGE: Schedule 5 shows what I said is exactly correct.

Mr. ANTLIFF: If the Loblaw business were not there the overhead that would be necessarily put on the regular brands would bring the profit to the vanishing point.

Mr. LESAGE: I say if there were one cent more charged to Loblaw there could be one cent less charged to the housewife?

Mr. LOFTUS: No.

Mr. ANTLIFF: No, because the ratio of Loblaw business to the housewife business is very small.

Mr. LESAGE: Look at the second column of schedule 5 and you will see you were making a profit, in January of this year, of 13 cents on the house to house delivery.

Mr. ANTLIFF: But taking the overhead and applying it equally on all production.

Mr. LESAGE: How could you do it otherwise?

Mr. ANTLIFF: You could easily do it otherwise. You could say that Cottage bread was a volume proposition and should not take its overhead. I am not trying to doctor a statement up I am trying to give you a clear picture.

Mr. LESAGE: You say the proportion of overhead put on Cottage bread is not correct?

Mr. ANTLIFF: No. I have not said that. I have said if the Cottage bread is were not there the overhead which would go on the regular bread would be that much more.

Mr. LESAGE: Yes, but if the Cottage bread were there at 1 cent more—I am not discussing the possibility of its not being there.

Mr. FLEMING: I do not want to interfere with Mr. Lesage's examination at all, but I think in fairness to all concerned he should tell the witness, if the witness does not already know, that Mr. Meech has testified that if Loblaw's did not get this Cottage loaf from Canada Bread at 9 cents, they would bake their own. Loblaw's would not buy it at 10 cents. They would stop buying from Canada Bread and bake their own. Therefore, you cannot assume that Cottage bread, at a higher price, would go on and bear its share of the overhead.

Mr. LESAGE: That is just an assumption and it is not better than the one I am making.

Mr. FLEMING: Mr. Lesage is making an assumption which is not borne out by the evidence that we have here.

The CHAIRMAN: It looks to me, at this stage, as though the price at which you sold to Loblaw is the price which was going to be paid by the consumer. In other words, is it fair to suggest—I want to be fair in this observation—that because of your long business experience with Loblaw's your primary concern was Loblaw and not the consumer?

Mr. LOFTUS: Well, the consumer is certainly getting a real break.

The CHAIRMAN: What is the answer to that question? I may be wrong in this deduction, but from listening to this examination and the answers which have been made in which you have said that Loblaw's have been your customer for 18 years and you wanted to play fair with them—I am not saying that was not commendable, but that was your concern and not what the consumer would have to pay, because the evidence is you were still making a profit on the bread sold to the consumer at 13 cents?

Mr. ANTLIFF: As a matter of fact, these figures are not weighted, Mr. Chairman. The Loblaw percentage to the total is 7 per cent which is a relatively small proportion. The proportion of secondary bread which is also sold at a loss, either house to house or brands to stores, offsets the regular 13 cent price also.

The CHAIRMAN: Loblaw's represent 7 per cent of your sales.

Mr. LOFTUS: That is right.

The CHAIRMAN: And house to house represents what percentage?

Mr. ANTLIFF: Our over-all sales are about fifty-fifty, wholesale and retail.

The CHAIRMAN: That is my point. The 7 per cent of the sales was the determining factor for the price paid by 50 per cent?

Mr. LOFTUS: Oh, no.

Mr. ANTLIFF: If we had not had the Loblaw business to take a certain amount of the overhead we would not have had the profit of .54 per loaf from the quality bread. If we did not supply Loblaw's at 9 cents, they would not have our bread.

Mr. LOFTUS: Another answer to that is this, that 7 per cent does not cover—that is not all 10 cent bread. Loblaw's are selling a very large quantity of our other breads and our other goods at, I would say, a profit to us.

Mr. LESAGE: No, look at the third column. It is a loss of .08 cents per loaf.

Mr. LOFTUS: I said other lines, cakes and other goods.

Mr. ANTLIFF: We are not making much, any way.

The CHAIRMAN: May I interrupt to clarify a point, here? In September, the subsidy was taken off?

Mr. LOFTUS: Yes.

The CHAIRMAN: Is this a fair suggestion to make, that at the meeting you had in September the bakers were really happy that the subsidy was being taken off because that gave you an opportunity of getting what the traffic would bear?

Mr. ANTLIFF: Our general manager made a comment in his report to the shareholders just two months prior to that, that he felt it would be very good business to leave the subsidy on; that is a statement in writing. It is published information. It may be on the files here.

The CHAIRMAN: Is it not a fact that the bakers were glad the subsidy was taken off?

Mr. LOFTUS: No, I would prefer to have them on if conditions that were there remained the same.

Mr. LESAGE: Were you not satisfied when the ceiling was off?

Mr. LOFTUS: I would have left the controls on. The difficulty from September on was that the controls were coming off a good many items and they were coming to us as price increases on many items.

The CHAIRMAN: Was not the general opinion among the trade. "Thank God, the ceilings are off; now we are on our own"?

Mr. LOFTUS: I would not think so.

The CHAIRMAN: You would not think so, but is that not a fact?

Mr. LOFTUS: No.

The CHAIRMAN: You state that definitely is not a fact.

Mr. LOFTUS: In my opinion, no.

The CHAIRMAN: In your opinion, maybe, but is that not a fact?

Mr. FLEMING: I am taking objection to what you are saying. You asked the witness something which was not within his own knowledge. Naturally, all he can say about other men, if he is an honest man, is to give you his opinion. He has done that. Then, you jump on him because he has given his opinion. It is most unfair.

The CHAIRMAN: I do not think anyone could suggest I have been anything but fair.

Mr. FLEMING: You are most unfair because you direct a question to the witness which can only be answered by giving an opinion. If he is an honest man, he can only give you his opinion on the subject. Then, you jump on him for giving you an opinion.

The CHAIRMAN: Order. I am asking you, were you at that meeting?

Mr. LOFTUS: Which meeting?

The CHAIRMAN: The one I am referring to in September.

Mr. LOFTUS: No. I was at one.

The CHAIRMAN: All right, I thought you were at this meeting.

Mr. LOFTUS: No.

The CHAIRMAN: Mr. Fleming is quite justified because my question was predicated on the assumption that he was at the meeting. But you, Mr. Antliff, were you at that meeting?

Mr. ANTLIFF: I was at several meetings.

The CHAIRMAN: Were you at that one?

Mr. ANTLIFF: Several.

The CHAIRMAN: At this meeting is it not a fact that it was said—I am not saying by you or what your opinion was because that has already been stated—is it not a fact that the general view was that when you knew that the subsidy was coming off there was a general sense of gratification that that was the case and that you were going to be on your own and that you could determine what prices you wanted without any consideration of government control?

Mr. ANTLIFF: I would not say so at all, Mr. Chairman. I would say there was a feeling of great unsettlement. The bakers who were at that meeting had great responsibilities for many thousands of employees and great responsibilities to the public and we were confronted with a very serious situation. There is no feeling of elation about it at all.

The CHAIRMAN: Could you answer my question?

Mr. LESAGE: Just at that point, Mr. Chairman; now, I understand that the bakers were not satisfied with the ceiling price.

Mr. LOFTUS: Oh, no, they were very active on one or two previous occasions; they made a determined effort to get higher prices.

Mr. IRVINE: Just because the price of other commodities you had to use was going up.

Mr. LOFTUS: Everything was going up.

Mr. LESAGE: The cost of all your operations had increased since 1941?

Mr. LOFTUS: Oh, yes.

Mr. LESAGE: But you had had no relief in price.

Mr. LOFTUS: Yes.

Mr. LESAGE: That was the situation?

Mr. LOFTUS: Yes.

Mr. LESAGE: Then you asked for an increase in price, in the price fixed by the Wartime Prices and Trade Board?

Mr. LOFTUS: Yes. I do not say we asked, Mr. Lesage; we sounded out.

Mr. LESAGE: You sounded out Colonel Ruttan on that?

Mr. LOFTUS: Yes.

Mr. LESAGE: And instead of telling you that they were going to allow you a 1-cent increase they said the ceiling is going to come off?

Mr. LOFTUS: Yes.

Mr. LESAGE: And it did come off?

Mr. LOFTUS: Yes.

Mr. LESAGE: Do you want to say that the bakers in Canada were not satisfied with that?

Mr. LOFTUS: I would say not.

Mr. LESAGE: Mr. Antliff?

Mr. ANTLIFF: I would say the bakers were very disturbed about the situation that had to be met.

Mr. LESAGE: Yes, but there was a sense of relief.

Mr. ANTLIFF: No, I would not say so; there was a sense of tremendous responsibility.

Mr. LESAGE: Yes, there was the ordinary responsibility one has in a free economy.

Mr. ANTLIFF: That was a very crucial turning-point when the controls came off after a six or seven-year period.

Mr. LESAGE: But you were going back to a free economy?

Mr. ANTLIFF: Yes, but there was still a tremendous responsibility.

Mr. LESAGE: And you were stepping up your price then to take care of the increases in cost which had been piling up over a number of years?

Mr. ANTLIFF: Due to competitive conditions at that time the price went up to 13 cents which certainly did not remedy the situation permanently.

Mr. LESAGE: That was agreed to by the bakers, wasn't it?

Mr. ANTLIFF: It was agreed to by the bakers; the first baker who set that price set a stabilized price.

Mr. LESAGE: But you were present at the meeting with Colonel Ruttan and the Toronto bakers?

Mr. ANTLIFF: I was present at some, not all.

Mr. LESAGE: You were there?

Mr. ANTLIFF: At some of them.

Mr. LESAGE: Some of them, yes; and there were many who said they were satisfied with the price of 13 cents?

Mr. ANTLIFF: Before you refer to that, when we were under control and when the matter was a subject of reference to the government the bakers generally felt that 1 cent was required in order to cope with the rising costs, many of which had not been met. I refer to the higher wages of the bakery and that sort of thing. It simply had to be done and we simply could not have carried on had there not been some revision.

Mr. LESAGE: And the lifting of the ceiling and the taking off the subsidy meant an increase in the price of flour per loaf of around 2 cents?

Mr. ANTLIFF: The problem would have been much simplified if the price of bread had been 11 cents under control.

Mr. LESAGE: Under control, yes, you would not have had to take the responsibility?

Mr. ANTLIFF: Well, the public would not like the price increase, naturally, which resulted from the increased cost of flour which was 2·20 cents or 2·13 cents. I think under those circumstances the public would have received the increase resulting from the subsidy on flour a little more kindly.

Mr. LESAGE: You did not suffer any decrease in your sales?

Mr. LOFTUS: You mean because of the 3-cent increase?

Mr. LESAGE: Yes.

Mr. LOFTUS: I would not think so.

Mr. LESAGE: And there has been no decrease in the volume of your sales?

Mr. LOFTUS: No, we didn't suffer very much after the 3 cents went on. We did after the last one.

Mr. FLEMING: Mr. Loftus, or Mr. Antliff, you have said that in the Canada Bread business the sale of Cottage brand to Loblaw's represents 7 per cent of your total business in bread. If they felt compelled to discontinue their purchases of that loaf and went into baking their own bread would you regard it as a serious factor bearing on your overhead?

Mr. LOFTUS: Yes, I would say it would be terrible.

Mr. FLEMING: Now, may I say to you by way of explaining my next question that Mr. Meech of Loblaw's stated in his evidence here that if they could not get this Cottage bread to sell at 10 cents to the public giving them at the present time just a cent a loaf mark-up, if they could not do that they would have to bake their own bread.

Mr. LOFTUS: That has been a matter of conversations between us on many occasions. I believe—and I am not boasting—I believe that the service that we give them throughout the country is very fundamental to their business, it is very helpful, because we are in different cities and able to give them deliveries. I think that is one of the reasons perhaps why they do not think more seriously of it; and I think there is a matter of sentiment in it too—there is some sentiment in business—and I believe there is a lot of sentiment between Loblaw's and ourselves.

Mr. FLEMING: He did indicate that you had been doing business together for a long time and that he would not wish lightly to change relationships.

Mr. LOFTUS: Yes.

Mr. FLEMING: Now Mr. Meech also said that they would have to have a loaf to sell at 10 cents and compete.

Mr. LOFTUS: That is right.

Mr. FLEMING: Referring to the A & P competition.

Mr. LOFTUS: That is right.

Mr. FLEMING: Having this evidence in mind and the fact that the cost of production of the two loaves—that is the quality loaf and the secondary

brand including the Cottage brand—is not as big as the differential in the selling price to the consumer, what do you say as to whether if the cheaper loaf were selling at a little higher price that would have any possible bearing on the price at which you were able to sell a more expensive loaf?

Mr. LOFTUS: I would think where you have a situation where the chain store has the 10-cent price that is certainly what I would call a loss leader, whatever you like to call it. I do not know of any bakery in Canada who can make bread and make it at a profit and sell it at 10 cents. You take the price in the states, that has taken into consideration the increase in the cost of flour. I haven't the list with me but I think as I recall the last figures I saw it is 18 cents for a 20-ounce loaf in the City of Buffalo and just over the river Loblaw's is selling a 10-cent loaf of a pound and a half.

Mr. JOHNSTON: That would not be the same quality necessarily.

Mr. LOFTUS: There may be a little shade of difference, it may be a little better but it would not make a great deal of difference.

Mr. JOHNSTON: Which loaf is the better, the one sold on this side or the other?

Mr. LOFTUS: In regard to quality of bread, do you mean?

The CHAIRMAN: I think Mr. Fleming ought to be permitted to complete his questioning, if you don't mind, Mr. Johnston.

Mr. FLEMING: I have practically completed my examination, Mr. Chairman.

Mr. LOFTUS: I think the authorities here ought to know the prices over in the states.

Mr. FLEMING: I am not so much interested in the price in the states at the moment; if Mr. Johnston wishes to follow that up afterwards he may, Mr. Loftus. I am coming back to this factor of competition in the 10-cent loaf as having a bearing on the price to the consumer of the quality brand loaf. Now, if this question is not too hypothetical would you give the committee your view on it: if it were not that the chain stores are using as you say or in your opinion the 10-cent loaf as a loss leader and that loaf reached—let me ask you first: what do you think that loaf would sell at to the consumer today if it were not being used as a loss leader? Is that a fair question?

Mr. LOFTUS: I would say two for 23 or 12 cents a loaf.

Mr. FLEMING: If the cheaper bread were selling at that price is there any reason to expect that the quality loaf would sell at a differential over the cheaper brand that is very much greater than the differential in the cost of production apart from the distribution of it?

Mr. LOFTUS: It would be of considerable help, Mr. Fleming; but I think it would just bring us to where we would be showing a fair profit. It would be of considerable help.

Mr. FLEMING: I do not think you quite got my point, Mr. Loftus; I was not asking would it show a profit; I was asking about the effect of a differential between the two loaves, the differential in your selling price to the consumer if the price to the consumer of the cheaper loaf, the Cottage loaf, reached the figure that you mentioned, two for 23 or 12 cents a loaf? What effect would that have on the price to the consumer of the more expensive loaf?

Mr. LOFTUS: I think a lot of people who were buying the 12-cent bread would go back to the other channels and purchase direct from the wagon at the house.

Mr. FLEMING: Would it have any effect on the present price of 14 cents to the consumer in Toronto and Montreal?

Mr. LOFTUS: I would not think so.

Mr. LESAGE: Mr. Loftus, would you look at column 5 under Cottage brand? I would like to ask you just one question which arises out of your statement that 10-cent bread can't be sold except at a loss. You said that in answer to Mr. Fleming as being your opinion?

Mr. LOFTUS: That is right.

Mr. LESAGE: Your delivery or distribution cost on Cottage brand is 1.88 cents; is that correct?

Mr. LOFTUS: That is right.

Mr. LESAGE: If that item was .42 cents per loaf would not the cost to you be 8.41 cents?

Mr. ANTLIFF: That is a matter of arithmetic, book-keeping.

Mr. LESAGE: That is correct. Then you can sell your bread with a profit on each loaf of .59 cents.

Mr. ANTLIFF: We know perfectly well we could not sell it at that, or anything like it.

Mr. LESAGE: I am asking you if that is so?

Mr. ANTLIFF: It is only a matter of arithmetic.

Mr. WINTERS: He says it is just a matter of book-keeping.

Mr. LESAGE: My question was put for a purpose. You have said that the 10-cent loaf cannot be sold except at a loss, and I suggested to you that if A & P as they said have done away with the distribution cost of .42 cent they could still sell their 10-cent loaf at a profit.

Mr. ANTLIFF: I do not want to go into a lot of detail about the A & P.

Mr. LESAGE: But what they said is true according to your own figures. They show at a profit instead of a loss?

Mr. ANTLIFF: If you add .42 to 7.99 you get 8.41, and I will agree that is mathematically correct, but apart from that I do not agree.

Mr. FLEMING: Are you selling through any other chain stores than Loblaw's?

Mr. LOFTUS: No.

Mr. FLEMING: You were asked a question about your attitude towards the removal of the subsidy on flour last September and the decontrol on the price of bread that went with it. May I ask you if your company, or to your knowledge the Ontario Bakers Association, had asked the government to embark on the policy of decontrol in September?

Mr. LOFTUS: I would say no.

Mr. FLEMING: You had asked the Wartime Prices and Trade Board to permit an increase of one cent a loaf to meet increased costs; is that correct?

Mr. LOFTUS: I do not think there was any mention of whether it was one cent or two cents. There might have been both items. There was nothing definite about it. There was an approach to Mr. Rutan to see what could be done, but I do not think there was any mention about one price or the other.

Mr. FLEMING: We have had in evidence there were previous meetings in the summer, I think in July and August, with a view to an increase in bread, previous meetings with the Wartime Prices and Trade Board.

Mr. LOFTUS: That is right, an increase in bread, that is right.

Mr. FLEMING: I want to get this clear. So far as your company is concerned you have no knowledge of any request being made by the bakers to the government to embark on the policy of decontrol which they put into effect in September?

Mr. LOFTUS: Definitely no.

Mr. FLEMING: Something has been said about the price in Ottawa, Brockville and Cornwall being 13 cents as compared with a 14-cent price in Toronto and Montreal. You say that is the result of competition, the lower price here?

Mr. LOFTUS: I am trying to remember the conversation I had with our manager.

The CHAIRMAN: Would it not be better to answer the question?

Mr. LOFTUS: I think I am giving the answer.

The CHAIRMAN: Mr. Fleming asked you whether it was the result of competition.

Mr. LOFTUS: I was going to give him the answer.

The CHAIRMAN: You were going to tell us what your manager said.

Mr. FLEMING: I suggest you do not put it in the form of an answer given by your manager. Give us the fact if you know it.

Mr. LOFTUS: When speaking to him over the phone, because you have got to do all this over the phone—it is a quick job—I suggested to him costs were such that he would have to advance his price. His answer was, "Well, Mr. Loftus, I would rather leave this for a little while." I said, "Well, if you feel that way about it it is all right by me." That was the conversation regarding Ottawa.

Mr. FLEMING: At the present time, as I understand it, in the Ottawa area, you are just breaking even at 13 cents?

Mr. LOFTUS: At the present time.

Mr. FLEMING: You are breaking even at the 13-cent price. Do I understand your last answer to be that this 13-cent price is only temporary in your view?

Mr. LOFTUS: That will be very difficult to answer, especially now that you have this investigating committee going on.

The CHAIRMAN: It might come down to 12 cents.

Mr. LOFTUS: I do not think you would ask us or expect us to put the price of bread up in Ottawa when you gentlemen are sitting here.

The CHAIRMAN: I hope not.

Mr. LOFTUS: It would not be very good business. Therefore we have got to abide by that.

Mr. FLEMING: What are the factors of competition applying in the Ottawa area which have compelled you to sell at the 13-cent price at which you are just breaking even?

Mr. LOFTUS: I would presume our manager here was quite an aggressive young man and he has his fingers on all the strings, and I would abide by our manager's suggestion. No matter where that manager is, if he came to me and said, "Mr. Loftus, you are wrong in this," I will back him up. He told me I was wrong in this particular case and I said, "All right, let it be."

Mr. FLEMING: Mr. Loftus, I am looking for a little more information.

Mr. LOFTUS: All right.

Mr. FLEMING: About competitive conditions here in order to compare them with those in Montreal and those in Toronto. If you have not the details of that—

Mr. LOFTUS: I think I can tell it to you.

Mr. FLEMING: I would prefer to ask the Ottawa manager.

Mr. LOFTUS: I do not think there is any difference in the competitive conditions here and in Montreal or Toronto. I think you have still got a low priced loaf of bread, and that is playing its havoc here as it is everywhere else.

Mr. FLEMING: Speaking of your formula, the improvement in your formula has been carried out since ingredients became available which were in scarce supply during the war.

Mr. LOFTUS: That is right.

Mr. FLEMING: How does your present formula compare with your 1939 formula, let us say?

Mr. LOFTUS: In those days right up to 1939 in many cases we were making a loaf of bread that was pretty rich. Then, of course, when the war conditions came on and products were hard to get, ingredients were hard to get, there was a cutting off. We could not get them. Of course, they were up in price which counteracted anything we could not get. I would say that the bread today compares very favorably with the bread that was made in 1939.

Mr. FLEMING: Do I understand this process of enriching your formula has brought you back to pre-war standards?

Mr. LOFTUS: Pretty well.

Mr. FLEMING: Is that a fair summary of it?

Mr. LOFTUS: Yes.

Mr. FLEMING: Mr. Dyde asked you a question this morning about what he called the vicious circle of the rising price of bread, vicious spiral in the rising price of bread, and that your salesmen are on commission enjoying higher remuneration because their percentage remains constant. Do I understand the percentage of commission of your salesmen has remained constant since September, the percentage?

Mr. LOFTUS: No, I believe in some cases there have been slight increases. I just cannot remember the cities but I am quite sure there were some increases.

Mr. FLEMING: Has there been any decrease?

Mr. LOFTUS: No.

Mr. FLEMING: We had evidence from a witness of another company last week that they have made a slight decrease in the percentage of commission allowed to salesmen with the increase in price.

Mr. LOFTUS: I am sorry. May I correct myself. There was a slight decrease made in one city, and again it was against my judgment.

Mr. FLEMING: What city was that?

Mr. LOFTUS: Montreal. It was against my better judgment, but our manager in conversations decided with me that it was the proper thing to do and said, "You are wrong here, definitely wrong." It was on the basic wage which would not make any difference. It was on the take-home pay. There is a wage and a commission. It was on the take-home pay, which means the same thing.

The CHAIRMAN: For the most part your commissions have increased?

Mr. LOFTUS: For the most part in every city where we are doing business except one.

Mr. ANTLIFF: The commission rate has remained the same but the actual amount has increased.

Mr. FLEMING: That is what I am getting at. Your percentage has remained constant, but by reason of the fact that percentage is applied to a higher price—

Mr. LOFTUS: That is right.

Mr. FLEMING: The total remuneration of the salesmen has increased?

Mr. LOFTUS: That is right.

Mr. ANTLIFF: Provided he can maintain volume.

Mr. FLEMING: Coming more specifically to the point Mr. Dyde was asking about, had the price remained constant do you think in the light of your relations with your salesmen employees that they would have been content to continue at the same remuneration, that is to say, the same percentage on the same price?

Mr. LOFTUS: I would not have ever asked them to.

The CHAIRMAN: How would this witness know that?

Mr. FLEMING: Let us find out if he does know. I am not going to conjecture about it.

Mr. LOFTUS: I would say if I were a salesman—I would try to put myself every time in their position and I would feel mighty hurt if the company tried to do a little chiselling, we will say, on the commission.

Mr. FLEMING: I do not know that you have got the point of my question.

Mr. LOFTUS: I think I have got it.

Mr. FLEMING: Mr. Loftus, if you have not had any expressions of opinion from your employees which would enable you to answer my question then I think the chairman is right, and that you probably are not in a position to answer the question. What I want to ask you again is this. Had there been no increase in the price of bread and no increase in the percentage to the salesmen, those two remaining constant, do you think your salesmen would have been content?

Mr. LOFTUS: Not at all, oh no.

The CHAIRMAN: How do you know they would not have been content, Mr. Loftus?

Mr. LOFTUS: Well, it is a personal opinion. You mean that their wages would remain the same now as they were previously?

Mr. FLEMING: Assuming that you are continuing at the same percentage of commission and applying it on the same price, in other words.

Mr. LOFTUS: No price increase. We would have had to raise their commission rates.

Mr. FLEMING: I have only one or two more questions and I am finished. You were asked yesterday by Mr. Irvine about any limitations there might be on the right of your company to expand into either eastern or western Canada. I want to look at it from the converse point of view. Is there any limitation so far as your company is concerned on the right of those two companies—I think you called one Eastern Bakeries Limited, was it not—and what is the one in the west?

Mr. LOFTUS: Canadian Bakeries.

Mr. FLEMING: Canadian Bakeries Limited to go into central Canada and begin operations there?

Mr. LOFTUS: As far as I know I would say that there has been no limitations. In other words, I do not think it has ever been discussed. I believe that the two companies west and east are run just the same as we run Canada Bread. I do not think it has ever come to their mind to discuss an item of that kind.

The CHAIRMAN: That is not an answer to the question.

Mr. LOFTUS: I think it is.

Mr. FLEMING: I want to make it as plain as I can because I want the benefit of your answer on this in view of the question of Mr. Irvine yesterday. You said, and I think with some vigour yesterday, that your company was perfectly free to go into the west, into the territory now served by Canadian Bakeries, and you were equally perfectly free to go into the maritimes to serve the territory now served by Eastern Bakeries Limited.

Mr. LOFTUS: That is right.

Mr. FLEMING: I want to apply the converse question. So far as you are concerned are Eastern Bakeries Limited absolutely free to come into the central Canada market in competition with you, and are Canadian Bakeries Limited equally free to come into central Canada in competition with you?

Mr. LOFTUS: My answer to that would be that there is no agreement in any way, shape or form, and my understanding is they can go wherever they like. There has been no argument about it, no discussion.

The CHAIRMAN: But the answer is clear, they can go wherever they want?

Mr. LOFTUS: Yes.

Mr. IRVINE: But you do not want.

The CHAIRMAN: I think Mr. Fleming's question has great importance and we ought to be sure what the answer is. This witness' answer is that they can go wherever they want.

Mr. LOFTUS: Wherever they want.

Mr. LESAGE: There has been no discussion.

Mr. FLEMING: Did you have any consultation prior to the last rise in price to 14 cents a loaf with other bakers in regard to that rise?

Mr. LOFTUS: Yes, one baker with whom I am fairly friendly.

The CHAIRMAN: I think you would be friendly with anybody, Mr. Loftus.

Mr. LOFTUS: Thank you very much, Mr. Martin. That is a compliment from you, isn't it? I do not mean anything wrong by that. Mr. Wilson called me up the day before, and he told me that he was going to advance the price next day, and I remember my conversation with him. I said, "Well, you have got a hell of a lot more courage than I have got", and that was about all that happened.

Mr. FLEMING: What company is he with?

Mr. LOFTUS: Christie's.

Mr. FLEMING: How long after that conversation was it that your company advanced its price?

Mr. LOFTUS: Oh, I got the courage that afternoon to put it up the next day.

The CHAIRMAN: Are you finished?

Mr. FLEMING: Not quite.

Mr. LOFTUS: That is not jocular at all.

Mr. FLEMING: Is that the only consultation or are there any other consultations you had with any other bakers prior to the rise to 14 cents?

Mr. LOFTUS: I have had no other conversations at all, and I think I only attended two meetings in the last six months.

Mr. FLEMING: Now, that is Mr. Wilson of Christie's bread. Was his company the first to advance the price in the Toronto area?

Mr. LOFTUS: To 14 cents?

Mr. FLEMING: Yes.

Mr. LOFTUS: Yes.

Mr. FLEMING: What about Montreal, do you know the situation there?

Mr. LOFTUS: Oh, yes.

Mr. FLEMING: Who led the way there?

Mr. LOFTUS: To 14-cents,—I think it was Harrison Brothers.

Mr. FLEMING: In Montreal?

Mr. LOFTUS: Yes.

Mr. FLEMING: Did Christie's advance their price there?

Mr. LOFTUS: They were not there at the time.

Mr. FLEMING: They came into Montreal more recently.

Mr. LOFTUS: Yes, shortly after.

The CHAIRMAN: If they had not raised the price you would not have followed and you would still have had a profit on your bread?

Mr. ANTLIFF: I doubt it very much.

Mr. LOFTUS: I do not think we would have, Mr. Martin.

Mr. FLEMING: You say you do not think you would be operating at a profit today; is that the answer?

The CHAIRMAN: "I am not sure, I am going to find out," is what he said.

Mr. FLEMING: I beg your pardon?

Mr. ANTLIFF: There was a loss in January of .03 cents and if there had not been an increase it would have been far worse in February.

Mr. LOFTUS: We have not got the February statement.

Mr. FLEMING: Your financial statement will reflect the position on the 14-cent price.

Mr. LOFTUS: We hope so.

Mr. FLEMING: At what date did you advance the price of the 14-cent loaf?

Mr. LOFTUS: I think it was on the 28th.

Mr. FLEMING: Of January?

Mr. LOFTUS: Yes.

Mr. FLEMING: You will be able to furnish us—

Mr. MACINNIS: Did you tell Christie's if they put up the price on the 28th you would put up yours?

Mr. LOFTUS: Let me get that right?

Mr. MACINNIS: Did you tell Christie's man, Mr. Wilson—

Mr. LOFTUS: Yes.

Mr. MACINNIS: —that if they put up their price on the 26th, I think it was, that you would follow on the 27th or the 28th?

Mr. LOFTUS: I do not do business that way.

The CHAIRMAN: What is the answer to the question?

Mr. LOFTUS: Definitely no.

Mr. JOHNSTON: But you got inspiration?

Mr. LOFTUS: I told you I did not have the courage.

Mr. JOHNSTON: But you got it that afternoon?

Mr. LOFTUS: I got it definitely, yes.

Mr. MACINNIS: It does not take courage to see the price go up.

Mr. LOFTUS: We need courage.

The CHAIRMAN: The point is if they had not raised the price to 14 cents would you have raised it?

Mr. LOFTUS: I certainly would have. I would have got the courage sooner or later.

The CHAIRMAN: That is a matter for our judgment.

Mr. FLEMING: Are you in a position to say when you would have raised it?

Mr. LOFTUS: I would certainly have had to do it pretty quick because I knew how we were going. The profit in the month of December, which is supposedly the biggest month we have in the year was .1 per cent.

Mr. FLEMING: Would you be able to sell your bread, the quality loaf, the 14-cent loaf, at 14 cents if none of the other bakers had raised their price to 14 cents?

Mr. LOFTUS: No, we would have been out of business in a very short while. Again I say our industry is very competitive.

Mr. FLEMING: And you are compelled to meet competition?

Mr. LOFTUS: Definitely.

Mr. FLEMING: And that your price has to gravitate to uniformity?

Mr. LOFTUS: That is right.

The CHAIRMAN: May I just follow that along. You would not have been out of business if you had not raised the price.

Mr. LOFTUS: That is perhaps an exaggeration but we would have had very, very, difficult times.

The CHAIRMAN: That is a different statement.

Mr. FLEMING: It is common knowledge that you can operate at a loss for a time but it is a question of how long.

Mr. LOFTUS: Yes, until they got a new general manager.

Mr. FLEMING: The chairman asked a witness about a wire which came from Mr. Parent of Dionnes Limited in Montreal. I hope I can give the substance of the wire correctly. Mr. Parent said that Christie's had reduced the price to him in Montreal by a $\frac{1}{2}$ cent a loaf and that he in effect was going to make up the other half and reduce his price from 14 cents to 13 cents. He also said something about a request from this committee which I did not quite follow because I did not know that there was any request made to him from the committee.

The CHAIRMAN: There was a suggestion.

Mr. FLEMING: I beg your pardon?

The CHAIRMAN: There was a suggestion.

Mr. FLEMING: A suggestion?

The CHAIRMAN: Yes, that if he could lower the price another $\frac{1}{2}$ cent he should do so.

Mr. FLEMING: I was not present at that meeting and I do not know exactly what had been said to him.

The CHAIRMAN: That is right.

Mr. FLEMING: Well, a witness was asked yesterday to comment on the wire—to say what he thought about it. I would like to invite you to comment on it.

Mr. LOFTUS: I do not know whether Dionne is a customer or not. He may be. Even if he is, I think it is very poor merchandising on the part of Dionne.

Mr. FLEMING: Would you explain your answer?

Mr. LOFTUS: Well, I feel that he should know more of the whole situation, go into the evidence that has been brought forward at this meeting, go into the evidence of some of the bakers, and discuss it with the bakers. I believe he would find, perhaps, that he would not be so hasty in his reply.

The CHAIRMAN: Surely, Mr. Loftus, if he is still making a profit he is to be commended for selling bread at a lower price to the consumer.

Mr. LOFTUS: Of course, there is another way of looking at it.

The CHAIRMAN: Would you answer my question?

Mr. LOFTUS: I am afraid I will have to give it in a different way.

Mr. HOMUTH: Have we any evidence he is making a profit?

The CHAIRMAN: Yes, he said he is making a profit. Now I would like to understand why Mr. Loftus says that if he is making a profit why he should not be commended, and why would the bakery people not commend him.

Mr. LOFTUS: After all, Mr. Martin, you cannot get me to comment on a person who does business in that way.

Mr. IRVINE: If competition is so keen, Mr. Loftus, as you have repeatedly stated, why should this man's conduct be reprehensible for having done it

a little more successfully than the others. Apparently, that is what he has done if he is able to sell it at a cent less. Would you explain that?

Mr. LOFTUS: It is a matter of opinion. There are a lot of people who do things just as a catch-penny way of getting people into their stores and what not. I do not know whether I agree with that type of merchandising. That is just my opinion. I would not do it.

Mr. IRVINE: Is there some understanding among the bakers that this thing shall not be done?

Mr. LOFTUS: No, no understanding to my way of hearing, and I have listened to them for a great many years.

Mr. FLEMING: Perhaps, Mr. Loftus, I am drawing too much attention to the Dionne matter and I want to think for a moment about Christie's. I gather from Mr. Dionne's wire that Christie's have reduced the price of bread to him by $\frac{1}{2}$ a cent a loaf?

Mr. LOFTUS: Yes, that is right.

Mr. FLEMING: Have you knowledge of that?

Mr. LOFTUS: Oh, yes.

Mr. FLEMING: Does that mean they are all selling their bread to that type of outlet in Montreal at $\frac{1}{2}$ cent cheaper than your company?

Mr. LOFTUS: Oh, no.

Mr. FLEMING: What does it mean?

Mr. LOFTUS: Just as soon as Christie's bread company gave that 2 cent margin, it was $1\frac{1}{2}$ cents in Montreal, the telephone wires were burning and I got the information at nine o'clock in the morning. We met that price that morning.

Mr. FLEMING: Do I understand that when Christie's reduced their price in Montreal by $\frac{1}{2}$ cent, your company met that competition and had to reduce by the same amount that same day?

Mr. LOFTUS: Yes.

The CHAIRMAN: I wonder if I understand this? When Christie's reduced the price $\frac{1}{2}$ cent in Montreal Canada Bread followed?

Mr. LOFTUS: Yes.

Mr. LESAGE: Yes.

The CHAIRMAN: Perhaps you would ask the witness if any other companies followed.

Mr. FLEMING: I was going to come to that.

Mr. LOFTUS: I have not anything definite but I would say they followed within 24 hours.

Mr. BEAUDRY: May I ask a question?

Mr. FLEMING: I am just about through.

Well, now I want to be quite clear about that. Is that the result of competition—that reduction that you speak of—or is that the result of any agreement?

Mr. LOFTUS: Oh no, no agreement whatsoever. Our manager called me, if I remember correctly, about 9.30 in the morning and he told me what had taken place with respect to Christie's. I said, "Meet them. If you can possibly meet them today, do so".

Mr. FLEMING: Does that mean the others who are handling bread at retail in Montreal today are enjoying a higher mark-up than those in the Toronto area?

Mr. LOFTUS: No, no, the Toronto mark-up is higher.

Mr. FLEMING: The Toronto mark-up is higher.

Mr. LOFTUS: Yes.

Mr. FLEMING: Which meant that even prior to this recent increase there was some considerable differential between the two cities?

Mr. LOFTUS: Yes.

Mr. FLEMING: To what do you ascribe the different conditions in the two cities?

Mr. LOFTUS: The conditions?

Mr. FLEMING: Yes, the differential.

Mr. LOFTUS: Well, in Toronto the discount is $2\frac{1}{2}$ cents per loaf on a 24-ounce loaf of bread. I am speaking of the regular retail bread that is sold house to house and to the stores. And then I believe there is an extra commission of 5 per cent over a certain amount. I think it is \$140 a week, or rather a month, in sales in any particular store. That is a difference of 2 cents or $2\frac{1}{2}$ cents on all over \$140 a month. Am I making myself clear on that?

Mr. BEAUDRY: May I ask a question?

Mr. FLEMING: I will be through in a moment.

Mr. BEAUDRY: I would like to ask a question on the Montreal prices?

Mr. FLEMING: I will be through in a moment. I do not think you get my question. I was not asking you for a detailed statement of how the differential is built up but I was asking if you could give the committee in a word an explanation of the differential that exists between the two cities. I am talking of the differential in price, in mark-up.

Mr. LOFTUS: Well, if I can remember correctly it was again Christie's that came in some two or three years ago and gave a larger mark-up in the Toronto area to the retail groceries. I believe that is how it started. Is that the answer you would like?

Mr. FLEMING: What you are saying, as I understand it, is that the difference may go back over a period of time but can you give us in a word an explanation of the differential in mark-up in Toronto as compared with Montreal today?

Mr. LOFTUS: Except one firm brought about this discount which is now existing in Toronto and of course all the bakers followed them. I do not know that I am getting that over to you, Mr. Fleming, but I hope I am.

Mr. FLEMING: You have explained how the differential was created in the first place. I gathered two or three years ago it occurred and you say it has continued since.

Mr. LOFTUS: That is right.

Mr. FLEMING: I was wondering if there are any differences in conditions, competitive conditions or otherwise, between the two cities, that would account in a word for the differential which exists today in the mark-up in the two cities.

Mr. LOFTUS: There are no reasons at all.

Mr. BEAUDRY: In other words, Mr. Loftus, the price set, the sale price to the retailer in Montreal, is a different price than that given to the retail trade in Toronto, and it is completely arbitrary from your point of view.

Mr. LOFTUS: Yes.

Mr. BEAUDRY: It does not arise from many cost factor, or anything influencing your cost?

Mr. LOFTUS: It is a competitive condition.

Mr. LESAGE: The cost is the same.

Mr. BEAUDRY: It does not depend on any factor influencing your cost, beyond what you have already shown in this table, .05 of a cent increase on flour and approximately .04 of a cent in the cost of delivery.

Mr. LOFTUS: Just a custom, that is all,—a competitive condition.

Mr. BEAUDRY: Yes, but I repeat it is completely arbitrary from your point of view. It does not depend on any cost factor?

Mr. LOFTUS: That is right.

Mr. BEAUDRY: You choose to sell to the baker in Toronto at 12½ cents and at 12 in Montreal?

Mr. LOFTUS: It is 12 in Montreal.

Mr. LESAGE: The people in Montreal pay for the people in Toronto.

Mr. LOFTUS: No.

Mr. LESAGE: I would like to have an answer to that. There is a loss on your over-all operation of .08 on the regular brands delivered to the stores.

Mr. LOFTUS: The matter of rebates is one that should be discussed by you gentlemen more fully. I am conversant with them, but perhaps some people should say what is a fair rebate to the grocery store. That may be a subject which would be very enlightening and I wish you could tell me, or I wish somebody else could bring it up.

Mr. LESAGE: But there is compensation paid for by the Montreal retailer?

Mr. LOFTUS: No, the price to the retailer in Montreal is just the same as in Toronto.

Mr. LESAGE: It is higher.

Mr. LOFTUS: Yes, yes, I am sorry. The private customer's price for bread is just the same in Toronto but the retail grocery store does not get the same mark-up as it does in Toronto.

Mr. LESAGE: That is what I say. In that particular branch of the business, the retailers in Montreal pay a higher price than the retailers in Toronto pay, and that compensates for your loss in Toronto. That is what I get from your figures.

Mr. LOFTUS: Mind you, sir, I am—I am not sure that this rebate in Toronto is a proper rebate.

Mr. LESAGE: I am not questioning that at all, I am just looking at the figures and drawing conclusions.

Mr. LOFTUS: I am trying not to answer this question, Mr. Martin, for the simple reason I am serving a lot of these grocers in the city of Toronto. I am serving them elsewhere as well, and I do not want to go out on a limb and say what is in my mind.

Mr. BEAUDRY: Mr. Loftus, what is the percentage of your total volume of sales in Montreal made to stores?

Mr. LOFTUS: I could not tell you. I am just guessing, but I think it is about 50-50.

Mr. WINTERS: I should like to refer, for just a moment, to schedule 2, Exhibit A, and ask Mr. Loftus if the profit per dollar of sales for the first six months to January 31, 1948, of 2.81, is for all your production, bread and cakes?

Mr. LOFTUS: Everything.

Mr. WINTERS: Have you that same figure for bread alone?

Mr. ANTLIFF: We have it on a percentage basis. It could be worked out and supplied on a dollar basis.

Mr. WINTERS: I should like it on the same basis.

Mr. ANTLIFF: We can give it to you in a few minutes.

Mr. WINTERS: In the meantime, I should like to refer to schedule 5 and ask you a general question as to how you break down those figures for flour, ingredients, delivery costs and so on and allocate them to the various types of bread?

Mr. ANTLIFF: You will notice that flour and ingredients, all combined, show a higher cost on the quality bread, although there is a decrease of .12 in the flour and an increase of .63 in the other ingredients. This is due to the fact that if other ingredients are added there is a smaller percentage of flour.

Mr. WINTERS: I am trying to obtain a rough idea of the bookkeeping system which allows you to do that?

Mr. ANTLIFF: So far as overhead is concerned, .78, you will notice goes right across the board and covers all administrative overhead expenses of the company which are distributed pro rata on all the bread.

Mr. WINTERS: That is right.

Mr. ANTLIFF: Supervision, depreciation on equipment is the same thing; it goes right across the board.

Mr. WINTERS: How do you allocate that between bread and your other products?

Mr. ANTLIFF: It is allocated on a dollar basis, the basis of dollar value of sale.

Mr. WINTERS: What would the administrative expenses be for cakes or sweet goods compared to that .78?

Mr. ANTLIFF: The administrative expenses are worked out in the three preceding schedules and are worked out, first of all, on over-all sales; secondly on bread sales; and thirdly on cake and sweet goods sales. They are clearly broken down. They are on the same percentage basis right across the board.

Mr. WINTERS: Do you have a complete cost accounting system, complete with time studies?

Mr. ANTLIFF: We make time studies from time to time as they are justified. For example, in allocating certain delivery costs which are arbitrarily put between house and house and stores, it is impracticable on a route delivering to both, and most of our routes do, to make a detailed time study of the amount of time spent by a salesman in making deliveries to stores and institutions as compared with delivery to individual householders.

The CHAIRMAN: Order. A very important matter has come up and the meeting is adjourned.

The meeting adjourned.

AFTERNOON SESSION

The committee resumed at 4 o'clock.

Mr. WINTERS: Just before we rose this morning I was asking the witnesses to give the committee further information regarding their accounting system. I asked if they could tell us on Schedule 2, Exhibit A, what the profit was for bread compared to the 2.81 per cent profit per dollar of sales for the over-all operation.

Mr. ANTLIFF: I have that information. As shown on Schedule 4-A the profit over-all was 2.81 per cent. The profit on bread alone was 4.3 per cent. The profit on cake and sweet goods was nil, but the profit on bread was mostly

made up of the fact that there were a number of weeks' supply of cheap flour on hand which provided the bulk of the profit on the bread department. It did not arise from normal operating and current flour costs in relation to current selling prices.

Mr. WINTERS: Then we were referring to schedule 5 which shows among other things a breakdown of overhead for the different types of bread used. I was asking if their accounting system is such that it let them break down that overhead and allocate it to a different type of loaf or whether that is just giving an estimate on a pro rata basis.

Mr. ANTLIFF: I would say it is just giving an estimate. It is an absolute pro rata distribution based on volume of sales, and without any attempt being made to allocate on any other basis.

Mr. WINTERS: That same thing would apply on a pro rata system between cake and bread?

Mr. ANTLIFF: That is correct.

Mr. WINTERS: So some of the profit you show against bread might easily be a lesser profit against bread and some of it against cake depending on how your pro rated overhead.

Mr. ANTLIFF: It has been customary under certain accounting procedure to take cake and sweet goods as more or less surplus production and take the bulk of the charges for overhead against the bread department. I have not chosen to do that in making this allocation. I have taken it equally against both departments, or all three departments, cake, sweet goods and bread, which has given a somewhat different picture from what some other firms might give whose methods were different.

Mr. WINTERS: Is it possible then that the overhead you show for a brand such as regular brand might be less than it actually is shown whereas the overhead for house-to-house brand, that is, the distribution and delivery cost, might be greater than shown?

Mr. ANTLIFF: Are you referring to delivery wage and distribution cost?

Mr. WINTERS: Yes.

Mr. ANTLIFF: Delivery wage and distribution cost, which you will notice is put down at house-to-house at double the cost per loaf from the cost to stores, is worked out by purely rule of thumb, on a very purely rule of thumb basis, due to the fact that the commission on the retail house-to-house is approximately double the commission on the store business. That is the basic background for taking that split. We have no accurate indication of what the costs are to a house-to-house customer as contrasted with a store because most of our routes are combination routes, wholesale and retail.

Mr. WINTERS: Could it not be then that the customer who purchases at a retail store is actually paying some of the distribution costs of the customer who has local bread delivery to her door?

Mr. ANTLIFF: That is possible depending on how accurate this distribution would be if it were worked down to a definite basis.

Mr. WINTERS: And also under the regular brand stores where it shows a delivery wage and distribution cost of 1.98, and an over-all net loss of .08 cents, your accounting is not accurate enough, your pro rating might be such that that .08 which is shown as a loss might, in fact, be a profit if you carried it out.

Mr. ANTLIFF: It might be a slight profit, and if so, the profit shown on house-to-house would come down by a commensurate amount.

Mr. WINTERS: So these items you have shown here as profit or loss on schedule 5 are really matters of bookkeeping?

Mr. ANTLIFF: They are matters of bookkeeping. A different procedure might be followed. The statement on the left-hand side, average of sales, is very definite. That method of allocation amongst five particular types of distribution is purely arbitrary and might err either way. It has been an honest attempt to evaluate the correct situation, but it is not by any means infallible.

Mr. WINTERS: Would you say then we might get into trouble if we tried to compare one of your loaves of bread, for example, with one of your competitor's taking into consideration overhead and other costs because their pro rating might be quite different from yours?

Mr. ANTLIFF: Very definitely; they may have a different basis of allocating cake and sweet goods departments from what we have.

Mr. WINTERS: Would you concentrate for just a minute on that brand shown as regular brand stores for which you show an over-all loss of .08. You allocate to that a delivery wage and distribution cost of 1.98 cents a loaf?

Mr. ANTLIFF: That is correct.

Mr. WINTERS: Bringing the total cost laid down at the retail store to 10.48 cents?

Mr. ANTLIFF: That is correct.

Mr. WINTERS: Under that you show a figure of sales return per loaf of 10.40 cents.

Mr. ANTLIFF: That is right.

Mr. WINTERS: Would you say how that figure is arrived at?

Mr. ANTLIFF: That figure is arrived at by a deduction of 20 per cent from the consumer price of 13 cents.

Mr. WINTERS: Is there a further reduction in the form of rebate or some other discount on that 10.40 cents?

Mr. ANTLIFF: Certain large suppliers may get 5 per cent additional rebate.

Mr. WINTERS: How much?

Mr. ANTLIFF: Five per cent of 10.40 which would be .52 cents.

Mr. WINTERS: That would bring that down to 9.02 cents per loaf, would it?

Mr. ANTLIFF: 9.88.

Mr. WINTERS: 9.88. That is laid down in quantity lots to large retailers?

Mr. ANTLIFF: Yes, retailers buying a substantial quantity.

Mr. WINTERS: That would give the large retailer a mark-up on each loaf of 3.12 cents. Is that correct?

Mr. ANTLIFF: That is correct, yes.

Mr. WINTERS: And for the 10 cent loaf the normal mark-up is 1 cent per loaf?

Mr. ANTLIFF: That is on the Cottage bread?

Mr. WINTERS: On the Cottage bread.

Mr. ANTLIFF: Yes, that is right.

Mr. WINTERS: Would you care to express an opinion as to which would be the more normal mark-up to expect in a fast moving article like bread, 1 cent or 3.12 cents?

Mr. ANTLIFF: Well, I would not care to express an opinion. I can state a fact, that the margin to the grocer has been consistently increasing over recent years. Whether or not the profit is a fair one is a matter for someone else to decide.

Mr. WINTERS: In the light of the fact that large retailers seem to operate at a successful profit on a mark-up of 1 cent I think we can draw our own

conclusion as to whether or not they are making an abnormal profit on a mark-up of 3.12 cents, which leads me—

The CHAIRMAN: What is that again, Mr. Winters?

Mr. WINTERS: The normal mark-up for the large chain store seems to be in the neighbourhood of 1 cent per loaf. I do not know how you refer to these other brands. Is it advertised brands of bread, shall we say?

Mr. LESAGE: Regular bread.

Mr. WINTERS: It sells at 14 cents or 13 cents, and on that there is a mark-up of 3.12 cents.

The CHAIRMAN: I see the point.

Mr. WINTERS: I think we can draw our own conclusion from that.

The CHAIRMAN: All right.

Mr. WINTERS: Then, this figure that is shown here as 13 cents in January, 1948, has since gone up to 14 cents.

Mr. ANTLIFF: That is correct.

Mr. WINTERS: If it were possible to arrange for you to give a less margin to the large retail store which is handling that bread would it be logical to assume you could pass more on to the consumer in the form of a lower over-all cost for bread?

Mr. LOFTUS: That is a very difficult question to answer because after all half of our business is done with the grocery stores. Our relationship with them is very pleasant. I do not think we should answer a question like that.

Mr. WINTERS: I think on the face of it you could make a pretty good guess.

Mr. LOFTUS: I do not think you should ask me to make a guess.

The CHAIRMAN: That is a very important question.

Mr. WINTERS: Let me put it as a general question. I do not think that will commit you to anything. If the large retailer gives you more for your bread, and assuming that you make a normal and constant profit, then you will have more to pass on to the consumers who buy your bread on a delivery basis from door-to-door?

Mr. LOFTUS: I will agree with you in theory.

The CHAIRMAN: What about in practice?

Mr. LOFTUS: I would not—

The CHAIRMAN: I think it is a very important question with relation to this inquiry.

Mr. WINTERS: I think you could answer it in the same way in practice. If you had more money from the one source you would have more to pass out in another channel, would you not?

Mr. LOFTUS: It sounds reasonable. One would say yes; I would say yes.

Mr. HOMUTH: What you would lose on the horses you would make up on rabbits.

Mr. WINTERS: If 1 cent is enough of a margin for certain types of bread by the large chain stores, and they are getting in excess of 3 cents from another source surely there is some differential there that could be spread across the board?

Mr. LOFTUS: Well, it certainly seems so.

Mr. IRVINE: May I ask a question?

The CHAIRMAN: Yes.

Mr. IRVINE: I believe that when we had the representative from Loblaw's here, Mr. Meech, he was very emphatic that the 10-cent loaf was not a loss leader. Were you aware that he gave that testimony?

Mr. LOFTUS: I was here but I really do not remember that. I really do not. I was under the impression that he said that there was a loss in it for him. I am not sure.

Mr. IRVINE: No, I tried to press it on him but he was very emphatic about it that it was not a loss leader. Would you say then that your company is providing a loss leader by producing a cheap loaf which you say is a loss to you and which is sold at a profit by the retailers?

Mr. LOFTUS: I certainly would not say there was any profit in Loblaw's selling at 10 cents that loaf which we sell them at 9 cents, because they must have expenses the same as everyone else. They have their labour; they have their rent; they have all kinds of work that has to be done with that particular loaf. What is the mark-up, Mr. Antliff?

Mr. ANTLIFF: The mark-up is 15 per cent on an average, if I remember the figure.

Mr. LOFTUS: You must take the 10 per cent off that.

Mr. IRVINE: Of course I have to go by the evidence of the man who is doing the selling. I do not know about that.

Mr. LOFTUS: I would not know any more about Loblaw's affairs than what I have read from the evidence here.

Mr. IRVINE: Well I pressed that very question and he was very clear that they made at least sufficient profit to redeem them from any charge of dealing in a loss leader. There is no question about that in the evidence. So that would leave you in danger of being charged with providing a loss leader.

Mr. LOFTUS: In that particular case I presume you could term it as such because it certainly is a loss. Whether you add the word "leader" or not, it is certainly a loss.

Mr. IRVINE: I want to ask you a question about a problem here on schedule 5. .87 of a loss is shown on Cottage bread.

Mr. LOFTUS: Yes.

Mr. IRVINE: Now would you argue that while you had .87 of a loss on Cottage bread, still it paid you to produce it at that loss because the Cottage bread project—if I may call it that—enabled you to spread your overhead further, and on a wider scale, and somehow or other produced beneficial results?

Mr. LOFTUS: Yes.

Mr. IRVINE: I would like you to give us a very clear description of how your loss .87 per loaf can be held onto as an over-all gain in any way whatsoever?

Mr. LOFTUS: I think Mr. Antliff can answer that.

Mr. ANTLIFF: The overhead cost of .78 and the depreciation charge of .31 would operate irrespective of whether we had the Cottage bread or whether we did not. It does have a bearing somewhere. It has been allocated across the board in this statement. And if that were deducted you could show a nominal or a small margin left, as far as Loblaw's are concerned. There is also the fact of maintaining continuity as Mr. Loftus has mentioned on several occasions. We might be willing to take a loss temporarily, in view of past connections, although with the overhead deleted we are not going behind in any appreciable amount. That overhead would go into the other breads and would make a more unfavourable showing with them.

Mr. IRVINE: But still I am not so very clear on your loss of .87, or point anything else, and how it can be retained and made out to be a gain in some other part of your bookkeeping.

Mr. ANTLIFF: Well I just explained that the overhead of running the business has been allocated to Cottage bread the same as to other bread. If Cottage bread were not there it would be taken by the other breads. In that way their results would be that much poorer, if Cottage bread did not exist.

Mr. CLEAVER: I think, Mr. Irvine, if I might ask a question it might provide the answer to that. Is not Mr. Irvine failing to distinguish between gross profit and net profits?

Mr. ANTLIFF: If the gross profit is the basic cost in relation to the selling price he may be, because there is an inter-position of overhead that has to be borne somewhere.

Mr. CLEAVER: You might have a gross profit and still have a net loss.

Mr. ANTLIFF: I could have made this statement up without any cost allocated to Loblaw's bread but if I had done so I would have thought I would have been deceiving the committee. I wanted to be open and above board and I allocated it across the board.

Mr. CLEAVER: May I ask the question again as to whether your company might make a gross profit and still show a net loss?

Mr. ANTLIFF: Yes, they certainly might.

Mr. IRVINE: Coming back to the first question again, to make sure of it I will quote from page 393 of the evidence. I asked Mr. Meech:—

Would it be fair to say that the Cottage brand loaf is being used as a loss leader?—A. Oh, no. No, it is due to the fact that there is this loaf in competition, and in demand, and that demand has to be met. It is not sold as a loss leader.

I go on pressing, and you will find the evidence at page 393.

Mr. FLEMING: I have just been looking at the passage to which Mr. Irvine is referring and I think, in fairness, it would be well to read the answers to several questions to give a fair balance to the replies made by Mr. Meech in his evidence.

The CHAIRMAN: What is the page?

Mr. FLEMING: Page 392 and 393. I would suggest you start at 392.

Mr. Irvine asks the direct question there, the second last question:—

Do Loblaw's sustain a loss on Cottage brand loaves which they sell for 10 cents?—A. That is very difficult to answer because of the reason that ostensibly there is a profit, but we could not stay in business and operate on a 10 per cent mark-up as that would provide.

Q. Then you are not selling at a loss?—A. No, we are not selling it at a loss.

Then comes the question read by Mr. Irvine:—

Would it be fair to say then the Cottage brand loaf is being used as a loss leader?—A. Oh, no, it is due to the fact that there is this loaf in competition, and in demand, and that demand has to be met. It is not sold as a loss leader.

Mr. IRVINE: That is the point.

Mr. JOHNSTON: Would that indicate that it might not be the intention of selling that bread as a loss leader but the actual result might be that it is a loss leader?

Mr. LOFTUS: That is right.

Mr. IRVINE: I tried to press that very point, if you will follow the questions down on the same page and you will find that he objected to that also. He was very, very, careful to say there was nothing like a loss leader about it.

Mr. HARKNESS: I think, to have the record clear, previously—in the previous day's questioning—he was very unhappy about having to sell this bread at 10 cents as he considered it was not a sufficient mark-up.

Mr. LOFTUS: That is quite true.

Mr. IRVINE: I imagine anyone would be unhappy to sell at a loss if he could get more for his product.

Mr. HARKNESS: No, he said definitely it was not sufficient mark-up.

Mr. FLEMING: I think Mr. Irvine wants to be fair. Is not this a fair summary of Mr. Meech's evidence? He said that they had to have the 10-cent loaf, and the question was "Why?". He said it was because of competition. One of their big competitors had a ten cent loaf and they had to have a 10-cent loaf too.

Mr. HARKNESS: Here is exactly what it was—

Mr. IRVINE: Well, this is something we can argue about some other time, but I think Mr. Meech was between the devil and the deep blue sea in giving his answer. He was either making a profit, in which case, if he made a profit on the 10-cent loaf, he was making too much on the 14-cent loaf. If he admitted the other thing, that it was a loss then he would be violating the law by having a loss leader. That is the problem he was up against and he skated around that as well as Barbara Ann.

Mr. FLEMING: It comes down to about this. He says it is neither. He says ostensibly there is a profit at 10 per cent and goes on to say they could not stay in business and operate on the profit of 10 per cent such as this loaf brought.

Mr. IRVINE: I would like to ask a question on your statement at page 2—the general statement? On the 6th line of the paragraph next to the last, you say "We eventually decided however that the 13-cent price could be maintained on a temporary basis due to the advantage accruing from five weeks supply of cheaper flour in stock at September 15, 1947."

You apparently realized in September there would have to be two price increases, one immediately, and another following the exhaustion of your cheap flour? Is that so?

Mr. LOFTUS: Well originally I knew that on 14-cent bread—we could never work on that. We knew our cost was such, and showing such increases, that it was eventually 14 cents.

Mr. IRVINE: So you decided to take it in two steps?

Mr. LOFTUS: Necessity is the mother of invention and there was nothing else we could do about it.

Mr. IRVINE: That means you did decide.

Mr. LOFTUS: Yes, I think that was discussed here a couple of days ago.

Mr. IRVINE: Did you have any idea in September as to when the second price increase would have to take place?

Mr. LOFTUS: No, none whatsoever.

Mr. IRVINE: You would surmise and presume that after your cheap flour was exhausted it would likely go on—about that time?

Mr. LOFTUS: Well our statements in November and December were exceptionally bad and we just hung on until the end of January when we took the bull by the horns and put the price up.

Mr. IRVINE: Did you have any intimation from any of the other bakers that they were taking the same attitude with respect to the two price increases?

Mr. LOFTUS: Oh, I have no knowledge of their flour at all. I have no idea what the inventory in flour is in any other company but our own.

Mr. IRVINE: Well you have had meetings and you belong to the organization of bakers?

Mr. LOFTUS: I do.

Mr. IRVINE: And you, or some representative of your company, I understand, meet together with the regular organization as it meets from time to time. Is it reasonable to suppose this matter was not discussed as a matter of general interest and common interest, as to when the second price would be put on—the second increase—and how much it would be?

Mr. LOFTUS: It certainly was not to my knowledge discussed, and it was not discussed at any meeting I attended.

Mr. IRVINE: Mr. Antliff, you were at the Toronto meeting on September 16. We have had some difficulty in arriving at the date but I think it was on September 16?

Mr. ANTLIFF: The 15th.

Mr. IRVINE: When the removal of the subsidy was discussed—do you recall a disagreement at that meeting regarding prices, or any disagreement about prices?

Mr. ANTLIFF: You mean about the two jumps?

Mr. IRVINE: No, I was talking about whether the jump should be taken in one or two steps; whether you would have a 4-cent jump immediately or a 3-cent jump, and subsequently another jump?

Mr. ANTLIFF: No, it was not discussed at all.

Mr. IRVINE: It was not discussed at all?

Mr. ANTLIFF: Not the matter of the two jumps.

Mr. IRVINE: There was some discussion as to whether it should be 4 cents or 3 cents?

Mr. ANTLIFF: There was some discussion about cost and the effect or the relation those costs had to a loaf of bread. That is as far as it went. It was an interchange of information. There was certainly no attempt to fix prices.

Mr. IRVINE: Well of course you would not be volunteering the information to me if there had been.

Mr. ANTLIFF: No.

Mr. IRVINE: No.

Mr. ANTLIFF: But I would tell you the truth, I am under oath.

Mr. IRVINE: Oh I know that and please do not think, sir, that I am charging you with perjury. We have been told that the mill controlled bakers wanted an increase of 3 cents and the other bakers wanted an increase of 4 cents. That is correct?

Mr. LOFTUS: Oh, no.

Mr. ANTLIFF: As far as Canada Bread is concerned that is absolutely correct. The Canada Bread Company—which is one of the mill controlled bakers—made no ultimatum about the 3-cent price or any other price.

Mr. IRVINE: Well, would not the disagreement which apparently arose at that meeting be caused by that very difference of opinion between the mill controlled bakers and the others, the so-called independent bakers?

Mr. LOFTUS: Well, this disagreement that has been spoken of, Mr. Irvine, is, in bakers language, certainly not the disagreement people think it is. It is a frank way of discussing things. At times it may seem obnoxious to outsiders, but it is very lovable just the same, in this particular case.

Mr. MACINNIS: You do not refer to a baker as your honourable friend, when you mean something else?

Mr. LOFTUS: No.

Mr. IRVINE: I am not suggesting you were putting on the knuckle dusters or anything like that.

Mr. LOFTUS: Mr. Antliff was at the meeting, and he could reply to the question.

Mr. ANTLIFF: It was a very gentlemanly meeting.

Mr. FLEMING: As meetings go?

Mr. ANTLIFF: As meetings go.

Mr. LOFTUS: May I say, here, that I am giving you a straight answer. The disagreement, I understood, when you came back to the office, was not on price or anything else, it was related I believe to someone doing something about rebates; is that not it?

Mr. ANTLIFF: It was on the bread question—the only question on which there was disagreement, as I recall it, was the question of whether the rebate should be on a percentage basis or a matter of cents. There was no determination arrived at as to what it should be, but just the basis, which one it should be.

Mr. IRVINE: We have been told that Mr. Short of the Lake of the Woods Milling Company said flatly their September increase would be 3 cents and that the independents regarded this as an ultimatum; is that correct?

Mr. LOFTUS: I do not know who said that, but from my observation, and I am quite close to the independents, I have never heard an independent express an opinion of that kind. Neither have I heard any of the chain bakers express an opinion of that kind.

Mr. IRVINE: I think the testimony of Colonel Ruttan was very emphatic on that point, that when Mr. Short had spoken the discussion was finished.

Mr. LOFTUS: Well, of course, they could not do otherwise, Mr. Irvine. If a large baker decides he is going to sell bread at a certain price, I am certainly not going higher.

Mr. ANTLIFF: Every other baker sells at the same price.

The CHAIRMAN: Let us just have one person talking at a time. We cannot have a three-way conversation. If one witness is going to reply, let him reply.

Mr. IRVINE: Would you mind repeating your answer, then?

Mr. LOFTUS: In other words—what was the question again? It has gone out of my mind.

Mr. IRVINE: I was referring to a statement which had been made with regard to Mr. Short deciding to fix the price at 3 cents. When he had spoken, apparently, that was final so far as the meeting of the bakers was concerned. He had some dominating influence which could sway the whole group. There was no further discussion once he had said the price would be 3 cents. Then, the price was 3 cents with the understanding, I presume, it would be 4 later?

Mr. LOFTUS: There was never any discussion of that kind. Mr. Short had a conversation, I understand, with Mr. Taylor or Mr. Taylor suggested something; I think that is all in the evidence. With regard to the Toronto situation, I believe some of the newspapers that day said that bread was to be 15 cents a loaf, if I remember correctly. My own opinion was that I was certainly going to put the price up to 14 without discussion with anyone, but knowing our costs were such that we had to get 14. I was told in the afternoon, if I can remember the time correctly it was about half past twelve, about the attitude of Mr. Short and I said, "That is all right by me".

The CHAIRMAN: You were not at this meeting, then?

Mr. LOFTUS: No.

Mr. IRVINE: I have just one more question.

The CHAIRMAN: If Mr. Loftus was not at this meeting, he cannot very well tell what went on there.

Mr. IRVINE: I had directed my questions in this regard directly to Mr. Antliff, who was at this meeting.

Mr. ANTLIFF: May I clear up this point, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. ANTLIFF: The message from Mr. Short came into Toronto after the meeting in Toronto at which I was had been concluded. There was no knowledge at the meeting I was at that Mr. Short had any thoughts whatever in his mind regarding the price of bread.

Mr. IRVINE: Did you leave that meeting, then, without coming to any decisions as to what the price of bread would be, whether it would be 3 or 4 cents?

The CHAIRMAN: What was your reply just before this last answer? You said Mr. Short had no idea—

Mr. ANTLIFF: I said that, during the course of that meeting, this message from Mr. Short did not come to—I do not know who it came to, Colonel Ruttan, I believe, but the people who were at that meeting had no knowledge of Mr. Short's attitude.

Mr. IRVINE: My impression is that Colonel Ruttan stated that Mr. Short had given this ultimatum on price the day before the meeting and that when it was announced at the meeting there was no further discussion about the matter.

Mr. JOHNSTON: Perhaps you are talking about different meetings.

Mr. ANTLIFF: There were two meetings, one in the morning and one in the afternoon.

Mr. IRVINE: I just want to ask again if the result of the meeting was not simply this, that there were to be two price increases by the bakers, one of 3 cents and one of 4 cents?

Mr. LOFTUS: I said, as president of our company, my mind was made up as to what we were going to do without discussing it with the bakers or anyone else. I was putting the price of our bread up in every city to 14 cents because, in discussing price, I do not discuss it with the Toronto bakers I have to discuss it with our own people and decide what is the best procedure for our company throughout the country. There was no discussion with me. I was the person who decided for our company. As soon as I got the information that one company was not going up to 14 cents, that his price was going to be 13 cents, I immediately altered my decision and said, "Well, I am not going to sell for more than that".

The CHAIRMAN: Then, when you sold at 13 cents had you a loss?

Mr. LOFTUS: Our statement shows that. Mr. Antliff will answer the question.

Mr. ANTLIFF: Following the increased price we got a profit so long as we were operating on the cheap flour. It was an inventory profit rather than an operating profit. As soon as that was gone, we immediately reverted to the condition where we were operating right on the margin of profit and loss.

The CHAIRMAN: Are there any other questions.

Mr. HOMUTH: Just repeat that, will you? For the four or five weeks it was an inventory profit not an operating profit?

Mr. ANTLIFF: Yes, we did sufficiently well that, over the six months we made 2·8 per cent on our total sales.

Mr. MACINNIS: On schedule 5, the delivery, wage and distribution costs, house to house, of the regular brand loaf are 3·96 and for the secondary brand, house to house, they are 3·66. Why should there be that difference?

Mr. ANTLIFF: Because of the difference in commission. The difference in commission on 2 cents would be ·30, Mr. MacInnis.

Mr. MACINNIS: Turning then to schedule 4, Exhibit B, for bakery wages. In August, 1947, they were 16·2. Then they went down to 14·3 in September and 12·6 in October.

Mr. JOHNSTON: On what page are you?

Mr. MACINNIS: Schedule 4, Exhibit B. They were 12·1 in November 13·3 in December; 12·4 in January, so that means that your bakery wage cost was greater by 3·8 per cent in August, 1947, than it was in January, 1948.

Mr. ANTLIFF: No, sir. In one case, that is based on 10 cent bread and in other case it is based on 13 cent bread. In both cases, it is the ratio to the selling price. The actual wages were supplemented in September. On a relative basis of selling price, there was a downward trend in Toronto.

Mr. MACINNIS: You say the wages were higher in January?

Mr. ANTLIFF: Yes, definitely; the individuals were paid more money.

Mr. MACINNIS: But the percentage of wages in the loaf were less than in August 1947?

Mr. ANTLIFF: That is correct because in the one case it is a 13 cent loaf and in the other case it is a 10 cent loaf.

The CHAIRMAN: What percentage of your bread is sold in stores and called for by the consumer?

Mr. LOFTUS: About 50 per cent.

The CHAIRMAN: The price you sell to the consumer in that instance is the same as the price that you sell to the consumer when the bread is delivered?

Mr. ANTLIFF: It is the same price in both instances.

Mr. MACINNIS: On schedule 8, you have flour costs and in schedule 10 you have the flour prices per barrel. Then, you say,

All above prices are subject to 10 cents per barrel cash discount. There is also a standard differential of 30 cents per barrel more for First Patent Flour, "Cream of the West", while other grades such as "Nelson" and "Winnipeg" are bought at prices of 10 cents and 20 cents per barrel respectively below the basic second patent quotations. If paper bags are available, all the above prices are subject to a reduction of 40 cents per barrel.

Were all those reductions taken into consideration in preparing the schedule of cents per loaf in schedule A?

Mr. ANTLIFF: On the same basis in every case; there is 190 loaves computed as coming out of a barrel of flour. It is a matter of dividing 190 into the costs as revealed in schedule 10.

Mr. MACINNIS: I think the figures in schedule 10, that is the price per barrel, are subject to certain deductions and discounts. Were the deductions and discounts taken into consideration in the figures in schedule 8?

Mr. ANTLIFF: The only discount is the 10 cents per barrel and that is considered as a purchase discount, rather than something entering into the flour situation. There are other items, as you can see, laid down which affect the basic price to the point where at practically every place except Toronto, there is a premium on that flour. It is f.o.b. the track. There is 10 cents a barrel

premium at western Ontario points, Ottawa and Montreal. In northern Ontario there is a 20 cent premium. The over-all base price of a loaf of bread, being based on Toronto flour costs might be low.

The CHAIRMAN: You say 50 per cent of your sales are to the retailers. Now, I know what you said this morning with regard to the overhead and the trouble a man has, but how can you justify selling to the consumer by direct delivery at 14 cents and selling retail at 14 cents?

Mr. HOMUTH: Mr. Chairman, I do not think that is a fair question. He is not retailing it at 14 cents through the retail stores, he is selling it to the store.

The CHAIRMAN: That is right. His bread is sold in the store at 14 cents when there is no delivery cost and no reason for a profit as a result of delivery energy expended.

Mr. ANTLIFF: Mr. Chairman, the other large wholesale bakers in the city of Toronto who deliver no retail whatever sell bread at the same price to the stores as we do.

Mr. HOMUTH: Let us get this; that is not an answer, Mr. Chairman.

The CHAIRMAN: No, that is not what I expected.

Mr. HOMUTH: No. Are you in a position to talk for the retailer to whom you sell bread? I do not think you should ask him that question, Mr. Chairman.

The CHAIRMAN: I am in the hands of the committee. I think it is a very proper question.

Mr. IRVINE: Somebody else asked that question.

The CHAIRMAN: I think it is germane to the issue before us.

Mr. MERRITT: Surely it is the retailer who is selling the bread at 14 cents, not these people. These people sell to the store at less than 14 cents. They have to justify their price on deliveries.

The CHAIRMAN: That is true, Mr. Merritt. When they sell it direct they get 14 cents, but when they sell it to the retailer that retailer may sell it at less than that. They may charge 12 cents or 13 cents, but in any event the price is lower than what the consumer pays for the bread delivered direct.

Mr. HARKNESS: They do not know that the retailer is going to get 14 cents.

Mr. LESAGE: Oh, yes, they tell him to get it.

Mr. HARKNESS: Just a minute. There is a case of which we have heard, Pickering Farms Limited; in their store they sold bread at 13 cents. In other words, the retailer can sell at any price he likes. I do not know why they should put a 14-cent mark on the wrapper. In most cases the retailer doesn't sell it at that, and he does not have to.

The CHAIRMAN: Perhaps we could get the answer right away. We could ask Mr. Loftus. Is any of you bread selling retail at less than 14 cents?

Mr. LOFTUS: I am just guessing now, Mr. Chairman; I cannot say, we have so many customers.

The CHAIRMAN: I know, but you would know whether people were selling your bread below your marked retail price; at least, you would have a general idea about it if they were. That is what I am talking about.

Mr. LOFTUS: I do not know.

The CHAIRMAN: No.

Mr. LOFTUS: There may be cases that I do not know about.

Mr. LESAGE: There is Dionne selling your bread at 13 cents.

Mr. LOFTUS: Do we serve Dionne's?

Mr. ANTLIFF: Yes.

Mr. LOFTUS: Well, Mr. Chairman, I do want you to understand that we have a great number of customers, and I certainly do not know at my office; but if some store wishes to sell our bread and take a smaller margin I cannot do anything about it.

Mr. WINTERS: I do not think Dionne's are selling at that.

The CHAIRMAN: Not his bread. I am not asking you about an individual case; I know that you can't have knowledge of everything personally; but if you found that there were retailers selling your bread at less than 14 cents what would you do?

Mr. LOFTUS: I could do nothing about it.

The CHAIRMAN: You could stop selling to them.

Mr. LOFTUS: But I would not.

The CHAIRMAN: You would not?

Mr. LOFTUS: No.

The CHAIRMAN: That is what I wanted.

Mr. HOMUTH: As long as the retailer is prepared to pay your price for the bread regardless of what the retailer is selling it at why should he worry whether it sells cheaper or not?

The CHAIRMAN: I do not know why, but he does worry. We have had evidence before us—I think the evidence of Mr. MacDonald was on that very point—about bread that was marked 14 cents right on the wrapper; and this witness has said if there was a general trend that way he would do nothing. We must take his answer.

Mr. LOFTUS: I said, Mr. Martin, that I notified all our managers to the effect that if people did sell our bread at less than our retail selling price there was nothing we could do about it and we could not refuse to give them bread.

Mr. JOHNSTON: Do you have a retail selling price?

Mr. LOFTUS: Do we have a retail selling price?

Mr. JOHNSTON: You set it, do you?

Mr. LOFTUS: The retail selling price is 14 cents—I should have said the consumer price.

Mr. JOHNSTON: That is different.

Mr. LOFTUS: We call it retail in our set-up.

The CHAIRMAN: You told us this morning that you have had a long connection with one chain company and your attitude there I think is very commendable, very loyal and so on; but supposing there were a group of retailers who sold bread; for instance, suppose bread which now retails at 14 cents was sold by them at less than 14 cents, and these other retailers selling at 13 cents are in competition with Loblaw's, do you say you still would not take any action?

Mr. LOFTUS: Yes.

The CHAIRMAN: You still say you would take no action even though it meant a reduction in your sales with Loblaw's?

Mr. LOFTUS: Yes.

Mr. LESAGE: In all fairness to the witness, I mentioned Dionne Brothers selling at 13 cents. I was wrong, it is Pickering Farms Limited, in Toronto.

The CHAIRMAN: Yes.

Mr. LESAGE: Mr. Arnold told us definitely that he sold Canada Bread below the marked price.

Mr. LOFTUS: Yes, I believe he does, Mr. Lesage.

Mr. LESAGE: I want to be fair to you; that is why I called attention to the fact that it was no Dionne's it was Arnold.

The CHAIRMAN: Would the reason why you are selling your bread at 14 cents retail be because you felt that you must follow the lead given to you by Christie's?

Mr. HOMUTH: How could he speak for Christie's?

Mr. LOFTUS: I am sorry, I did not get your question.

The CHAIRMAN: It would not be that you felt you must follow the lead of Christie's, is that the reason you sold at 14 cents?

Mr. LOFTUS: I do not follow any lead by Christie's

The CHAIRMAN: I did not ask you that. It would not be because you felt you must follow the lead given by Christie's?

Mr. LOFTUS: No, no.

The CHAIRMAN: There is the answer to it; no.

Mr. LOFTUS: There is the answer to it.

The CHAIRMAN: You do not follow their lead?

Mr. LOFTUS: Definitely not.

The CHAIRMAN: That is the answer to it.

Mr. HOMUTH: If Christie's were to reduce the price to 12 cents you would have to do the same thing? How soon?

Mr. LOFTUS: We would have to do it the same day.

The CHAIRMAN: You have followed their lead downwards but not upwards, supposing they charged 15 cents, what would happen?

Mr. LOFTUS: I am afraid they would not last a very long time in the business.

Mr. FLEMING: Would you report them to the comimttee?

The CHAIRMAN: What would you do?

Mr. MACINNIS: Did you say, Mr. Loftus, that your salesmen had instructions from you that if a retailer was selling bread at less than the consumer price that they were not to refuse to leave bread?

Mr. LOFTUS: I think I put it a little differently.

Mr. HOMUTH: Again, Mr. Chairman, I rise to a point of order; he didn't say the salesmen, he said the managers.

Mr. LOFTUS: I did, yes.

Mr. HOMUTH: There is a difference between a salesman and a manager.

Mr. MACINNIS: The manager then; is that what you said?

Mr. LOFTUS: That is what I said.

Mr. MACINNIS: All right then, can we take it from that that the managers are instructed to get the retailers to sell at the consumer price if they can, but if they cannot—

Mr. LOFTUS: No The reason for that—you have got to be fair and open about this thing. I remember two of our managers called me about two stores—I have forgotten where they were, I think one was in Toronto and one some place else—and they said: Mr. Loftus, the store is selling bread at less than the consumer price. My answer to them was: so what? What are you going to do about it? If they want to sell bread at whatever price they want that is their business.

Mr. MACINNIS: If it is the normal thing for a retailer to sell bread at any price he likes why should a manager draw to your attention what certain retailers have been doing?

Mr. LOFTUS: Because there has not been any fuss in the business for a good many years, but your investigation—don't think it is not causing a furore amongst the bakery trade and also amongst people. Naturally they would call me up. I have a job and they have to keep me in my job if they possibly can. The more questions they ask me the better I like it.

Mr. MACINNIS: Will you define your use of the word "fuss"?

Mr. LOFTUS: I beg your pardon?

Mr. MACINNIS: What does "fuss" mean; a fuss in the baking business?

Mr. LOFTUS: I happen to be Irish and fuss is uproar. I have used it quite often.

Mr. FLEMING: A minor disturbance?

Mr. LOFTUS: A minor disturbance, yes.

Mr. MACINNIS: All I am wondering is if fuss meant that up until recently the retailers were selling at the consumer price and that recently, since this committee was set up, they are getting more independent.

Mr. HOMUTH: Don't give this committee too much credit.

The CHAIRMAN: Order.

Mr. MACINNIS: Is that the explanation?

Mr. LOFTUS: No. I think that when the second increase went into effect I believe myself that that played a part in it, and I also think that the idea of the 10-cent loaf of bread plays a very important part because a great deal of their trade is going from the 14-cent to the 10-cent bread and the independent grocer is really having a hard time just right now, there is no question about that.

Mr. FLEMING: Mr. Loftus, you said a while ago that last September when the increase in price was considered you had thought of an increase of 14 cents and then as word came through about the Brown's Bread people raising to 13 cents you did not raise above the 13 cents; that, of course, applies to your quality loaf; what about the lower-priced loaf, what price did you have in mind for that?

Mr. LOFTUS: Do you mean Loblaw's?

Mr. FLEMING: Your Cottage brand goes to Loblaw's and I was thinking of the other second quality loaf which you also sell.

Mr. LOFTUS: There is a 2-cent differential between the 14-cent loaf and the other.

Mr. FLEMING: I am trying to get your appraisal on what you thought the increase in the second quality loaf should have been.

Mr. LOFTUS: Oh, yes.

Mr. FLEMING: You made a statement about the situation as applied to your quality loaf and then the fact that you had an increase of less than you had expected.

Mr. LOFTUS: Yes.

Mr. FLEMING: Would you give us the same information with respect to the Cottage brand loaf and the loaf similar quality which sells at the lower price?

Mr. LOFTUS: Well, the Cottage bread would be a matter of competition and that loaf would have to be sold in competition as it is being sold now. There would be no question about the price of that whatever, whatever their opposition was selling their bread at that Cottage bread would be sold at the same. Is that what you wanted?

Mr. FLEMING: We know that that is a fact.

Mr. LOFTUS: Yes.

Mr. FLEMING: But were there any steps leading up to that result that might be of interest to us? It has been of interest to us that you thought it should be 14 but you settled for 13 cents on the superior quality loaf.

Mr. LOFTUS: I am just trying to get my mind on that. The chain stores did not go up for several days after the price of bread went up to 13 cents, it was about, I think, maybe a week afterwards; and I must have had some conversations with them. They naturally put the price of their bread up—what did I put it up to?—Competition put the price of their bread at 10 cents. I believe they waited a day or two—yes, I think they did—until they saw what the A & P prices were and then the price was settled.

Mr. FLEMING: There was some variation in price with Loblaw's at one time, I think?

Mr. LOFTUS: Oh, yes.

Mr. FLEMING: You raised a little and then it was forced back, I believe, as a result of competition.

Mr. LOFTUS: That is quite right. Some of the young chaps down there came to see me. They were very friendly and they wanted to put on some special advertisements for a couple of months and that was what was done, but right after that we put the price at 9 cents.

The CHAIRMAN: Are there any other questions?

Mr. IRVINE: I have just one if everybody else is through. I do not want to monopolize the thing but I would like to ask a question about this competition business with respect to bread. I think you have made it very clear that in your opinion the competition is a little keen in the baking business, Mr. Loftus? Is that so?

Mr. LOFTUS: That is right.

Mr. IRVINE: And you have said that it is so keen that when some big baker sells for less you directly meet him on that; that is so?

Mr. LOFTUS: Yes.

Mr. IRVINE: Directly meet him?

Mr. LOFTUS: Yes.

Mr. IRVINE: If you do not meet him what would happen?

Mr. LOFTUS: Well, over a period of time your business would disappear.

Mr. IRVINE: Your business would disappear?

Mr. LOFTUS: Yes.

Mr. IRVINE: Now then, is the same type of competition working in relation to the 10-cent loaf?

Mr. LOFTUS: Of course, there are very few people who are manufacturing a 10-cent loaf, and naturally there is not the same amount of competition. Again there has been a great deal of publicity thrown about this particular loaf, and consequently people have got it in their minds.

Mr. IRVINE: Would you be surprised then if the 10-cent loaf went on and beat out the 14-cent loaf?

Mr. LOFTUS: I think I mentioned that yesterday afternoon. It is an impossibility in my mind for the simple reason that no member of the bread industry, as far as I know, can make money successfully and sell bread retail at 10 cents. It just is not in the cards.

Mr. IRVINE: Then that would mean that eventually you would have to stop making the 10-cent loaf all round.

Mr. LOFTUS: Oh, that would be manna from heaven.

Mr. IRVINE: For whom? Then it does not seem to me that competition between two types of loaves or two prices of loaves of bread works in a manner comparable to two companies.

Mr. HOMUTH: Say that again.

Mr. IRVINE: A company that sells a cheap bread will beat out companies which sell dear bread, but a loaf which is cheaper than another loaf, even if it is the same quality, does not seem to beat out that loaf, according to the witness.

Mr. LOFTUS: You know, there is always a saturation point in costs. Volume plays a certain part in holding down costs, but there is a time absolutely, and we are just past that time with the 10-cent loaf.

Mr. IRVINE: Then I ask you is it not inevitable that the 10-cent loaf must go out, if that is true?

Mr. LOFTUS: Oh, in my opinion—are you asking me—definitely, yes.

The CHAIRMAN: Except we have evidence before us whose validity we will have to assess that bread is sold at 10 cents, and evidence by the man who sells it that it is at a profit. That is the evidence before this committee.

Mr. IRVINE: I was going to refer to that.

Mr. FLEMING: That is some of the evidence before this committee.

The CHAIRMAN: Of course, it is only some of the evidence.

Mr. HOMUTH: The question arises then what is a fair profit, and on what profit can an industry operate? They may be making 10-cent bread, Mr. Chairman, and making a slight profit on that, but if the whole industry was just making 10-cent bread they would be out of business in no time.

The CHAIRMAN: Would you agree there is a difference between those with a large volume and those with a small volume, people like yourselves and some of the other companies. Obviously the small baker cannot be expected to sell bread necessarily at 10 cents. I will not say 10 cents, but at as low a figure as some of the larger ones. Put yourself in the position of this committee, Mr. Loftus. We have some evidence, whose validity I say we will assess in due course, that bread is sold at 10 cents, made by these people, and they say with a profit.

Mr. LOFTUS: Of course. I am not an accountant, but I do know that a great many companies have different methods of accountancy, and of getting costs. I noticed in one particular case here where bread was 8·70 at the bakery door and that particular bread is being shipped to Sarnia, London, Windsor. Now how you can ship bread from the bakery door at 8·70 when it takes 1 cent to ship bread there, and sell it at 10 cents with boxes, with express down to the station and from the station, pay rental in the store, etc., I do not know.

The CHAIRMAN: Well, you are not suggesting they are doing this out of sheer public interest?

Mr. LOFTUS: Well, you read *Fortune*; so did I. I think that covers the whole situation.

The CHAIRMAN: No, I did not. I have so much to read I have not got around to it.

Mr. LOFTUS: I would suggest that you do.

The CHAIRMAN: We will in due course, but what is your explanation, if you can tell us?

Mr. LOFTUS: Oh yes, I am sorry. One of the main thoughts—I would say their main thought—would be to bring people into their stores, give them a leader such as bread. Then, of course, bread is being sold every day and there is an opportunity for them to purchase other things.

The CHAIRMAN: That obviously is one of the reasons, but admitting all that, they still make a profit on bread sold at 10 cents.

Mr. LOFTUS: They say they make a profit.

The CHAIRMAN: They say. Now, have you any evidence to contradict that?

Mr. LOFTUS: I beg your pardon?

The CHAIRMAN: Have you any evidence to contradict that?

Mr. LOFTUS: How could I contradict that?

The CHAIRMAN: You said, "they say".

Mr. FLEMING: Can we get this far. Are you referring to the A & P evidence?

The CHAIRMAN: Yes.

Mr. FLEMING: The fact A & P say they can do it would not prove somebody else can do it.

The CHAIRMAN: No, but surely that is not the issue. What we are trying to do is to find out what is the cause of the recent rise in prices, and also to see if there cannot be a reduction in the price of bread. It may not be. We do not know, but we do have this evidence that A & P have done it. We accept that evidence. We will assess it in due course, we will give it objective treatment in so far as judgment is concerned, but we have now a witness who says it cannot be done. We are asking that witness why it cannot be done? He says, "I just do not see how it can be done." That is his only answer. I want to give Mr. Loftus a chance to say why it cannot be done.

Mr. HOMUTH: According to their cost accounting and their method of manufacturing he says it cannot be done. He cannot judge how A & P do it.

Mr. LOFTUS: I think I have already said that yesterday.

The CHAIRMAN: Any other questions?

Mr. HOMUTH: I should like to make a suggestion. We have spent a couple of weeks delving into the question of the cost of bread. These bakeries all make other products. I am informed by some of the bakery drivers that they sell their bread day after day, but they drop in the homes and if they can sell one or two cakes a week they have made their pay. We have been examining the cost of bread only whereas the making of cakes, doughnuts and everything else, enters into the whole baking business. I do not see how you can take one thing without going into the whole question of what the bakery does.

The CHAIRMAN: We may have to do that very thing.

Mr. LOFTUS: May I interject there?

The CHAIRMAN: Yes.

Mr. LOFTUS: I am afraid that if you do that you may have to pay more for your bread because these lines that you speak of do take care of a certain proportion of overhead.

Mr. HOMUTH: What we are here for, Mr. Chairman, is to find out why bread has gone up in price and why there is the high cost of living. We may find out that the cost of living is not high enough. I do not know. I have no idea, but the thing is that if we are going to investigate a matter for the public and give the public a true picture of it then we have got to go all the way.

The CHAIRMAN: We are going to give the public a true picture if it takes us till doomsday.

Mr. HOMUTH: You may not be far off.

The CHAIRMAN: And the public will appreciate it if the facts are brought out from all angles. That is what we are going to do. Are there any questions?

Mr. LESAGE: What is the price to the stores today in Toronto?

Mr. LOFTUS: In Toronto?

Mr. LESAGE: Yes, today.

Mr. LOFTUS: It is 11·5.

Mr. LESAGE: It is 11·5?

Mr. LOFTUS: Yes.

Mr. LESAGE: And your answer was 2½ cents margin to the retail store?

Mr. LOFTUS: Yes.

The CHAIRMAN: Are there any other questions? If not, Mr. Dyde will proceed with the next witness.

Mr. DYDE: There is just one point to clean up with reference to Canada Bread. We left undecided how many of these annual reports we would put in as an exhibit. The company kindly produced ten years, but I do not think reference has been made to more than 1947. I think it was left undecided.

The CHAIRMAN: It was decided yesterday to print 1947.

Mr. FLEMING: We did not decide how much of the printed report we were going to put in. There are actually three statements there. There is the consolidated balance sheet, the profit and loss statement, and—

The CHAIRMAN: I think 1947 is sufficient. We will have the others on hand.

Mr. FLEMING: And the consolidated earned surplus. Certainly there has been no reference made to anything else.

Mr. HOMUTH: We will have it for comparison anyway.

The CHAIRMAN: We will have 1947 and can keep the others on hand. Thank you, Mr. Loftus. I do not want you to think that we might not be seeing one another again.

Mr. LOFTUS: Oh, I think you are a lovely bunch of men.

Daniel F. Wilson, President, Christie's Bread Limited, sworn.

Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread Limited, sworn.

Mr. DYDE: Mr. Wilson, would you give us your full name, please?

Mr. WILSON: Daniel F. Wilson.

Mr. DYDE: Your address?

Mr. WILSON: 202 King Street, East, Toronto.

Mr. DYDE: And your occupation?

Mr. WILSON: President, Christie's Bread Limited.

Mr. DYDE: Mr. Stormer, would you give us your full name?

Mr. STORMER: Lloyd I. Stormer.

Mr. DYDE: Your address?

Mr. STORMER: 202 King Street, East, Toronto.

Mr. DYDE: Your position with the company?

Mr. STORMER: Vice-President and Secretary-Treasurer.

Mr. DYDE: Mr. Wilson, I have asked you to bring before the committee certain information under a number of different headings, the headings being general information with regard to the company, financial statements, statistics as to bread sales, types of bread and production figures, and inventory figures. Have you those statements with you?

Mr. IAN WAHN: I act as counsel for Christie's Bread. Our clients have available the information requested by Mr. Dyde and will make available without question information relating to the cost of bread production.

With regard to financial statements, production figures and the formula for our bread, those perhaps may not be relevant. We have that information available and if required we, of course, will make it available, but Christie's Bread Limited is a private company and its financial statements are not of public record at the present time. The profit that it makes upon the items that it sells such as cake, Holland Rusk, and other matters is really not being investigated by this committee. The information requested by Mr. Dyde is available if the committee required it.

The CHAIRMAN: What is the wish of the committee?

Mr. LESAGE: The financial statement of the company; other companies have produced them.

The CHAIRMAN: Other companies have given their financial statements.

Mr. IRVINE: I am not so sure that the items mentioned by the counsel are not being investigated here. We are not so sure about that. We are investigating the high cost of living.

The CHAIRMAN: Quite.

Mr. IRVINE: That may include all of the things to which he has referred.

The CHAIRMAN: It will be clearly understood that where these matters are relevant we will get them.

Mr. DYDE: The same request was made of this company as was made of other bakery companies that have come before us.

Mr. JOHNSTON: Even other private bakeries?

Mr. DYDE: No, other baking companies. This is a private company. It is in a different position, but actually I did not know it was a private company until this morning.

Mr. FLEMING: Mr. Chairman, I think the point Mr. Irvine has taken is a point that we cannot avoid because, while we are not inquiring specifically into the sweet goods business, nevertheless it has had a bearing on the evidence received from other witnesses so far. We cannot close our eyes to it as an element in assessing the cost of making bread. The point taken by counsel also relates to the financial statement. We had this matter up before in connection with A & P and I do not believe we required A & P, because they were a private company—a wholly owned subsidiary of the A & P in the United States—to produce the statement. I do not think we dealt with the matter conclusively at that time. In any event we did not ask them to produce the statement. Since then, however, there has been a good deal of discussion and evidence by witnesses as to whether a true profit is or is not being made. There has been a good deal of controversy and while none of us wishes to embarrass these companies, we require a good deal of information on the financial statement before we can arrive at proper conclusions. There has been so much controversy in the evidence as to whether these companies operate at a profit or not, in the matter of bread, that I think we will have to have the information.

The CHAIRMAN: There is no doubt about it. We cannot possibly fulfil our assignment without having the profit and loss statements.

Mr. FLEMING: We have had so much talk about A & P since they were here that it strikes me we are going to have to go back and ask for their statement, and certain information contained in it which we have not got.

The CHAIRMAN: Counsel will make a proposal tomorrow morning to the steering committee which that committee will bring back to the full committee.

We must have all that information but whether we get it at this moment is another point. We have to have the information.

Mr. WILSON: If it is the wish of the committee we will certainly make the information available.

Mr. DYDE: Well, Mr. Wilson, will you please make the information requested available to the committee?

Mr. WILSON: Yes.

Mr. STORMER: These are in groups, there are 25 of each and they will have to be sorted out.

Mr. DYDE: This will be exhibited as exhibit 46.

While these are being distributed, Mr. Wilson, may I ask you a few general questions. Your company was incorporated I think in January, 1941?

Mr. WILSON: Yes, sir.

Mr. DYDE: And your corporate set-up is 4,000 shares of common stock?

Mr. WILSON: Yes, sir.

Mr. DYDE: Par value \$100, total capitalization \$400,000?

Mr. WILSON: Right.

Mr. DYDE: And the stock is all held by you?

Mr. WILSON: The stock audit, the directors' voting stock is held by the parent company, the National Biscuit Company of New York.

Mr. DYDE: The company, Christie's Bread Limited, does not, I understand, sell bread house to house?

Mr. WILSON: That is correct.

Mr. DYDE: Will you please explain your sales? Do you sell to stores and institutions?

Mr. WILSON: We sell mainly to stores.

Mr. DYDE: Retail stores?

Mr. WILSON: Retail stores.

Mr. DYDE: You do sell to some institution?

Mr. WILSON: We would sell to the odd institution.

Mr. DYDE: And do you supply bread to any chain store?

Mr. WILSON: Yes, sir.

Mr. DYDE: To whom?

Mr. WILSON: We supply bread to Dominion Stores, Howell in Toronto; Carrol Stores down in the Hamilton peninsula; I think those are the three larger ones but there are a few smaller ones.

Mr. JOHNSTON: We cannot hear.

Mr. WILSON: Pardon me, we do have a couple of stores with A & P. We service two A & P stores.

Mr. DYDE: Where are they?

Mr. WILSON: In Toronto.

Mr. DYDE: I think you had better give the street address of those two stores of A & P?

Mr. WILSON: I do not know whether I can give the street addresses or not, I can give the location. One is on Eglinton near Dufferin.

The CHAIRMAN: Mr. Fleming's riding.

Mr. FLEMING: No, no, that is beyond the pale.

Mr. WILSON: One is a new store at Kingsway and Bloor Street West.

Mr. DYDE: Has Christie's Bread Limited any corporate connection with a flour mill?

Mr. WILSON: No, sir.

Mr. DYDE: There is no contract of any kind between Christie's Bread Limited and a milling company—I mean other than day to day sales?

Mr. WILSON: No, sir.

Mr. DYDE: No long-term contract for the purchase of flour?

Mr. WILSON: No, sir.

Mr. DYDE: The company was started in Toronto was it?

Mr. WILSON: That is right.

Mr. DYDE: And in 1941. Did it do business prior to that time in any other form?

Mr. WILSON: It had done business as the bread division of Christie-Brown Company. We entered the bread business on May 15, 1939.

Mr. DYDE: That was your first entry into the business in Toronto?

Mr. WILSON: That is right.

Mr. DYDE: Now, Mr. Wilson, there is a general question or two with reference to a meeting which this committee has heard about, held in September 1947. Do you recall being present at a meeting in the King Edward Hotel at which Colonel Ruttan was present?

Mr. WILSON: Yes, sir.

Mr. DYDE: And do you recall the date?

Mr. WILSON: I think that is approximately the date. I believe it was on a Monday.

Mr. DYDE: Do you recall whether you were there in the morning or in the afternoon?

Mr. WILSON: Well I would say it was around noon hour somewhere.

Mr. DYDE: Were you there for a meeting, away again, and back to a meeting in your recollection?

Mr. WILSON: I do not know whether we were or were not. It seems to me we had a meeting and broke up and then met again. It was just a continuation of the same meeting.

Mr. DYDE: Was there some other representative of Christie's Bread Limited there with you?

Mr. WILSON: No, sir.

Mr. DYDE: You were the only one representing Christie's?

Mr. WILSON: That is right.

Mr. DYDE: And you expressed yourself at that meeting on the question of the sale price of bread?

Mr. WILSON: I believe I did as far as our own operation was concerned.

Mr. DYDE: And what did you say? What was your stand?

Mr. WILSON: Well, in view of the price of flour going where it went, and so on, our cost, at the time the meeting was held, indicated that we needed at least 11 or 11½ cents—that is wholesale price.

Mr. DYDE: Yes.

Mr. WILSON: And that is what I indicated.

Mr. DYDE: And did you say what the selling price should be?

Mr. WILSON: I would not say I said what the selling price should be. I may have suggested.

Mr. DYDE: And if you suggested it, what price did you suggest?

Mr. WILSON: If I did suggest, I would have suggested 14 cents as a consumer price.

Mr. DYDE: Yes, and would it be fair to say you probably did suggest 14 cents as a consumer price?

Mr. WILSON: I would think that is fair to assume that I did.

Mr. DYDE: When, in fact, did Christie's Bread increase its price following that meeting?

Mr. WILSON: I believe it was on the 18th.

Mr. DYDE: On the 18th?

Mr. WILSON: Yes.

Mr. DYDE: And is there any reason for it being September 18? Is there any reason for it not being the 17th or the 19th?

Mr. WILSON: Well, as far as we are concerned, we could not have done it any faster than that.

Mr. DYDE: You raised the price as fast as possible after that meeting?

Mr. WILSON: After we decided to raise it.

Mr. DYDE: And you decided to raise it finally at the meeting?

Mr. WILSON: No, sir.

Mr. DYDE: When did you finally decide to raise it?

Mr. WILSON: We finally decided to raise it after we got back to the office.

Mr. DYDE: On the same date?

Mr. WILSON: On the same day, yes.

Mr. DYDE: And you raised it to what price?

Mr. WILSON: We raised to 11 cents.

Mr. DYDE: And the retail price—the consumer price, was what?

Mr. WILSON: I believe they suggested 13 cents as the consumer price.

Mr. FLEMING: I did not catch that. "They suggested—"

Mr. WILSON: I believe the suggested retail price was 13 cents.

Mr. MERRITT: You do not sell any retail?

Mr. WILSON: No.

Mr. LESAGE: The price you did suggest to the retailers was—

Mr. WILSON: 13 cents.

Mr. LESAGE: 13 cents?

Mr. WILSON: At that time.

Mr. LESAGE: Yes?

Mr. WILSON: Yes.

Mr. DYDE: Now, Mr. Squirrel, in his evidence before the committee at I think it is page 406, indicated to the committee that the selling price of your bread to the retailer was reduced on September 25?

Mr. WILSON: That is correct.

Mr. DYDE: Was that a special reduction to Dominion Stores only?

Mr. WILSON: No, sir.

Mr. DYDE: Was it given to all your customers?

Mr. WILSON: That is right.

Mr. DYDE: And why was the reduction made?

Mr. WILSON: Competition forced us to make that reduction.

Mr. DYDE: How much of a reduction was made?

Mr. WILSON: One-half cent.

Mr. DYDE: Did you receive any representations from any organization of retailers prior to making that reduction?

Mr. WILSON: Yes, I believe we did.

Mr. DYDE: Who came to see you?

Mr. WILSON: No one came to see me, I received a telephone call.

Mr. DYDE: From whom did you receive the telephone call?

Mr. WILSON: I believe it was Mr. Christensen of the Retail Merchants Association.

Mr. DYDE: Is that Mr. George Christensen?

Mr. WILSON: That is Mr. George Christensen. He is not the only one who called. We had hundreds of those.

Mr. DYDE: You had other calls on the telephone?

Mr. WILSON: Yes.

Mr. DYDE: Can you remember who else called you?

Mr. WILSON: No, I could not.

Mr. DYDE: You just remember Mr. George Christensen?

Mr. WILSON: Well, you could not help remembering him.

The CHAIRMAN: That is a fairly apt description of a very estimable gentleman.

Mr. DYDE: The effect of this reduction in selling price on September 25 was to increase the margin between the retail selling price and the cost from 2 cents to 2½ cents for the smaller stores; is that correct?

Mr. WILSON: It was to allow the grocer the mark-up he felt he needed.

Mr. DYDE: Am I being fair in talking about the smaller stores, because I think there is a difference. The stores with a smaller trade got one margin and the stores with the larger trade got another; is that not correct?

Mr. WILSON: You are speaking now of the volume discounts, I presume?

Mr. DYDE: Yes.

Mr. WILSON: Well, if they did less than \$130 a month, they did not get the 5 per cent.

Mr. DYDE: And if they did more than that per month?

Mr. WILSON: \$130 or more, they got the 5 per cent discount.

Mr. DYDE: Now, until the exhibit comes, I want to skip to another matter, Mr. Wilson. When did you enter the Montreal field?

The CHAIRMAN: I am sorry, we have to go to vote, now.

Mr. FLEMING: Could these documents be marked as an exhibit now?

EXHIBIT No. 46: Statement of Christie's Bread Limited.

(Exhibit 46)

CHRISTIE'S BREAD, LIMITED

Incorporated January, 1941, Ontario, private company. 4,000 shares common stock, \$100.00 par value, or capital—\$400,000. Stock, other than directors' voting stock, all held by parent company, National Biscuit Company, New York.

Profits have been retained since July, 1945, and have been used for improved operations. This has had the effect of increasing capital employed in the business.

The company rents manufacturing space in Toronto from Christie, Brown and Company, Limited.

Until July 1, 1947, the company's sole production was bread, rolls, iced buns, and Holland rusk. On July 1, 1947, Christie's Bread, Limited, purchased from Christie, Brown and Company, Limited, cake assets at net book value. For true comparison purposes cake sales and profits since July 1, 1947, have been shown separately. See Exhibits "1" and "2".

Directors are as follows: Charles E. Edmonds, Chairman; George St. L. McCall, Lloyd I. Stormer, Daniel F. Wilson, Stanley H. Young.

Officers are as follows: Daniel F. Wilson, President; Lloyd I. Stormer, Vice-President and Secretary-Treasurer; Herbert Romani, Vice-President—Purchasing; Calvin E. Hartline, Assistant-Secretary; John D. Rohring, Assistant-Treasurer.

Counsel: Borden, Elliot, Kelley, Palmer & Sankey.

Auditors: P. S. Ross & Sons.

(EXHIBIT "A")

CHRISTIE'S BREAD, LIMITED

COMPARATIVE INTERIM BALANCE SHEET

ASSETS	December, 1946		December, 1947	
CURRENT ASSETS				
Cash on hand.....	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Time accounts.....	33,493 75		117,318 66	
Accounts rec.—Sundry.....	200,993 99		176,778 07	
Accounts rec.—Trade.....		234,487 74		294,096 73
Dom. of Can. Vic. Bonds.....	437 65		125 19	
	6,240 98		15,625 10	
		6,678 63		15,750 29
Manufactured stock.....		125,000 00		
Raw material.....	64 72		13,182 65	
Package material.....	61,613 41		69,645 87	
Mfg. exp. inventory.....	26,421 26		57,333 42	
LESS—Inv. disc. res.....	374 81		934 64	
	—20 34		—4,378 40	
		88,453 86		136,718 18
TOTAL CURRENT ASSETS.....		454,620 23		446,565 20
Excess prof. tax rec.....		23,696 61		23,696 61
FIXED ASSETS				
Land.....	21,000 00		25,500 00	
Buildings.....	84,432 71		121,932 71	
Building equipment.....			5,000 00	
Furniture and fixtures.....	324 25		4,989 37	
Machinery and equip.....	297,394 09		509,764 54	
Motor trucks.....	118,665 74		180,987 58	
	521,816 79		848,174 20	
LESS—Res. for deprec.....	418,642 93		625,621 93	
Total fixed assets.....		103,173 86		222,552 27
Deferred charges.....		6,836 03		12,115 47
		588,326 73		704,929 55

LIABILITIES

CURRENT LIABILITIES

Accounts payable.....	33,621 48	53,705 28
Res. for Prov. corp. tax.....		500 00
Res. for Prov. inc. tax.....		7,850 00
TOTAL ACCOUNTS PAYABLE.....	33,621 48	62,055 28
Res. for Dom. inc. tax.....	28,188 99	69,395 60
TOTAL CURRENT LIABILITIES.....	61,810 47	131,450 88
Reserve for insurance.....	11,730 21	13,779 33
CHRISTIE, BROWN & Co. INTER-Co. ACCOUNT...	27,554 58	
COMMON STOCK		
Authorized 6,000 shares		
Issued outstanding 4,000 shares.....	400,000 00	400,000 00
Profit or Loss		
Surplus first of year.....	37,635 02	87,231 47
Profits for period.....	179,501 28	247,022 14
	217,136 30	334,253 61
LESS		
Depreciation.....	68,314 44	87,200 24
Dom. income tax.....	61,590 39	87,354 03
	129,904 83	174,554 27
Surplus to date.....	87,231 47	159,699 34
	588,326 73	704,929 55

(EXHIBIT "A"—Supl. 1)

CONSOLIDATED INCOME AND EARNED SURPLUS

	For Year 1946		For Year 1947	
	\$	cts.	\$	cts.
Sales.....		2,093,184 55		3,366,901 02
Cost of sales.....	1,442,738 11		2,379,217 42	
Selling, general and admin. expenses.....	449,699 87		680,886 02	
Depreciation.....	2,114 44		45,775 24	
Taxes (Other than income taxes).....	24,654 93		46,155 39	
		1,969,207 35		3,152,034 07
Income from operations.....		123,977 20		214,866 95
Other income.....		3,409 64		1,879 95
TOTAL.....		127,386 84		216,746 90
Prov. for inc. taxes.....		61,590 39		102,854 03
Net earnings for the year.....		65,796 45		113,892 87
Accelerated depreciation on buildings.....		16,200 00		41,425 00
Balance to surplus.....		49,596 45		72,467 87

(EXHIBIT "1")

CHRISTIE'S BREAD, LIMITED

BREAD OPERATIONS

(Includes Profit on Bread, Rolls, Iced Buns, and Holland Rusk)

Year		Bread Sales	Net profit bread (Before Fed. Income Tax)	Percent to Sales
		\$ cts.	\$ cts.	
1939.....		202,708 00	-3,525 15	-1.74
1940.....		651,907 09	38,321 31	5.88
1941.....		1,027,533 65	40,470 79	3.94
1942.....		1,389,781 97	97,637 30	7.03
1943.....		1,475,935 32	83,098 19	5.63
1944.....		1,497,895 33	96,555 78	6.45
1945.....		1,728,398 29	86,691 83	5.02
1946.....		1,974,509 91	98,741 79	5.00
January 1947.....		168,236 80	7,795 98	4.63
February ".....		160,293 02	6,999 16	4.37
March ".....		174,557 27	3,724 55	2.13
April ".....		171,233 51	4,114 43	2.40
May ".....		192,363 71	3,367 77	1.75
June ".....		189,685 83	-3,445 91	-1.82
July ".....		202,818 36	176 69	.09
August ".....		207,758 90	2,425 46	1.17
September ".....		222,190 02	6,937 96	3.12
October ".....		267,194 00	*14,861 72	5.56
November ".....		250,958 33	3,088 71	1.23
December ".....		278,822 70	9,978 98	3.58
Total 1947.....		2,486,112 45	60,025 50	2.41
January 1948.....		278,472 88	12,647 08	4.54

*—Bread profits.....	1,695	Less flour....	6,568	Add lard.....	2,413	2,460 Loss
Iced Buns profits.....	8,151	Less flour....	225	Add lard.....	510	8,436 Profit
Rolls profits.....	2,639	Less flour....	396	Add lard.....	240	2,483 Profit
Rusks profits.....	2,376	Less flour....	96	Add lard.....		2,280 Profit
	14,861		7,285		3,163	10,739 (A)

— Loss.

(A)—Profits adjusted to current prices.

CHRISTIE'S BREAD, LIMITED

CAKE OPERATIONS

Year		Cake Sales	Net profit cake (Before Fed. Income Tax)	Percent to sales
		\$ cts.	\$ cts.	
1939		1,061,903 78	107,921 71	10.17
1940		1,104,096 86	87,743 88	7.95
1941		1,225,622 49	90,143 80	7.35
1942		1,279,901 21	122,182 74	7.35
1943		1,351,107 36	163,061 77	12.07
1944		1,425,513 20	149,510 31	10.49
1945		1,428,625 26	123,513 30	8.65
1946		1,531,064 82	129,276 71	8.44
January	1947	128,563 03	8,242 52	6.41
February	"	119,631 40	9,721 61	8.13
March	"	142,826 18	10,357 96	7.25
April	"	148,175 11	17,993 74	12.14
May	"	155,508 57	15,727 50	10.11
June	"	147,613 90	17,136 79	11.61
July	"	152,812 85	14,636 85	9.58
August	"	136,249 46	9,121 67	6.69
September	"	135,781 64	8,853 21	6.52
October	"	155,833 11	17,212 90	11.05
November	"	178,511 17	22,040 12	12.35
December	"	168,736 35	16,074 13	9.53
Total 1947		1,770,242 77	167,119 00	9.44
January 1948		143,167 06	14,375 04	10.04

(EXHIBIT "3")

CHRISTIE'S BREAD, LIMITED

	August 1947	September 1947	October 1947	November 1947	December 1947	January 1-23 1948	January 24-31 1948	February 25 1948
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
<i>Costs per 1,000 loaves:—White unsalted Bread—</i>								
Raw materials.....	41 91	64 51	61 01	62 73	61 48	59 82	59 82	*61 36
Direct manufacturing labour.....	7 32	7 48	7 51	7 36	7 90	8 10	8 10	8 10
Warehousing—Sundry, repairing and re- placing, power, light and heat.....	4 56	4 35	4 22	4 49	4 36	4 36	4 36	4 36
Supervision.....	0 29	0 35	0 32	0 29	0 34	0 35	0 35	0 35
Package materials.....	4 74	4 70	4 83	4 83	5 16	5 23	5 23	5 23
Overhead expense.....	2 00	3 20	2 40	2 01	2 00	2 14	2 14	2 14
Shipping expense.....	1 02	1 82	1 82	1 40	1 47	1 58	1 58	1 58
Total manufacturing cost.....	61 84	86 41	82 11	83 11	82 71	81 58	81 58	83 12
100% wholesale selling value.....	80 00	105 00	105 00	105 00	105 00	105 00	115 00	115 00
Bakery net on selling value.....	18 16	18 59	22 89	21 89	22 29	23 42	33 42	31 88
<i>Selling costs: Per 1,000 loaves—</i>								
Selling salary and expense.....	8 35	9 76	9 61	9 78	9 69	9 80	10 73	10 73
Trade delivery.....	7 23	7 17	7 45	7 24	7 59	7 74	7 74	7 74
Advertising, rent, taxes, management, etc.....	3 55	3 55	3 50	3 56	3 56	3 65	3 65	3 65
Trade discount.....	1 22	1 70	1 50	1 49	1 64	1 65	1 81	1 81
Total selling expense.....	20 35	22 18	22 06	22 06	22 48	22 84	23 93	23 93
Net before taxes, 1,000 loaves.....	2 19	-3 59	0 83	-0 17	-0 19	0 58	9 49	7 95
% Profit or loss on selling price.....	-2.74%	-3.47%	0.79%	-0.16%	-0.18%	0.55%	8.25%	6.91%

* Change in formula. — Loss.

CHRISTIE'S BREAD, LIMITED

(Christie's White Sliced Bread)

	November 1947	December 1947	January 1948	February 25, 1948
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
<i>Cost per 1,000 Loaves—</i>				
Raw materials.....	62 73	61 48	59 82	61 36*
Direct labour.....	7 36	7 90	8 10	8 10
Warehouse—Sundry, maintenance, power, light and heat.....	4 49	4 36	4 36	4 36
Supervision.....	0 29	0 34	0 35	0 35
Package material.....	8 07	7 81	7 78	7 78
Overhead expense.....	2 01	2 00	2 14	2 14
Shipping.....	1 40	1 47	1 58	1 58
Total manufacturing expense.....	86 35	85 36	84 13	85 67
100 per cent wholesale selling value.....	120 00	120 00	120 00	120 00
Profit before selling expense.....	33 65	34 64	35 87	34 33
<i>Selling cost per 1,000 loaves—</i>				
Selling salary and expense.....	11 17	11 08	11 20	11 20
Trade delivery.....	7 24	7 59	7 74	7 74
Advertising, rent, taxes, and management.....	3 56	3 60	3 69	3 69
Trade discount.....	1 70	1 87	1 88	1 88
Total Selling.....	23 67	24 14	24 51	24 51
Net, before taxes—1,000 loaves.....	9 98	10 50	11 36	9 82
Per cent.....	8.32	8.75	9.47	8.18

* Change in formula.

(EXHIBIT "5")

	Aug. 1939	Aug. 1946	Aug. 1947	Sept. 18, 1947	Sept. 24, 1947	Nov. 1947	Jan. 1948
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Selling price of bread (whole-sale).....	0 08	0 08	0 08	0 11	0 10½	0 10½	0 11½
<i>Raw material and package cost—</i>							
(a) Flour per bag (98 lbs.)....	1 38	1 97	1 92	3 95	3 95	3 86½	3 59
Condensed milk (cwt.)....	5 00	8 25	10 25	10 25	10 25	10 75	10 75
Milk powder (cwt.)....	6 02	12 50	12 50	12 50	12 50	12 50	12 50
Lard (cwt.).....	7 00	16 00	21 50	21 50	21 50	21 50	21 50
Bread wrappers (cwt.).....		13 10	15 90	15 90	15 90	16 80	16 80
Bread containers (M).....		149 00	170 00	170 00	170 00	184 00	187 00
<i>Wages—Manufacturing—</i>							
Ovenmen..... per hour	0 38	0 75	0 83	0 83	0 83	0 83	0 83
Relief men..... "	0 38	0 78	0 86	0 86	0 86	0 86	0 86
Bakers helpers..... "	0 38	0 73	0 81	0 81	0 81	0 81	0 81
Mixers..... "	0 42	0 77	0 85	0 85	0 85	0 85	0 85
<i>Wages—Shipping—</i>							
(Bread shippers)							
Foreman..... per week	33 00	47 00	52 00	52 00	52 00	52 00	52 00
Shippers..... "	15 00	35 00	38 84	38 84	38 84	38 84	38 84
Shippers helpers..... "	15 00	29 50	31 34	31 34	31 34	31 34	31 34
<i>Wages—Office—</i>							
Ass't. office							
manager..... per week	30 00	39 00	44 50	44 50	44 50	44 50	44 50
Cage cashier..... "	20 00	32 00	42 00	42 00	42 00	42 00	42 00
Settlement clerk..... "	18 00	29 00	38 00	38 00	38 00	38 00	38 00
Ledger clerk..... "	18 00	37 00	42 50	42 50	42 50	42 50	42 50
Gen. clerks..... "	14 00	28 00	33 50	33 50	33 50	33 50	33 50
Prod. clerk..... "	20 00	32 00	42 00	42 00	42 00	42 00	42 00
Salesmen—Aver. per month..	196 00	261 00	278 00	294 00	294 00	313 00	335 00
Aver. sales per salesman— Month.....	1,970 00	3,200 00	3,600 00	3,876 00	3,876 00	4,168 00	4,520 00

(a) Flour: Sept. and Oct.—\$7.85; Nov. 1—7.75; Nov. 12—\$7.65; Nov. 26—\$7.50; Dec. 10—\$7.45; Dec. 24—\$7.40; Dec. 31—\$7.30; Jan. 7—\$7.25; Jan. 14—\$7.10; Feb. 11—\$6.95.

CHRISTIE'S BREAD, LIMITED

	1939	1946	1947	1948
	\$	\$	\$	\$
(A) Rounders, Baker-Perkins—60 inch.....	1,380	1,504	1,733	1,925
(A) Dividers, Baker-Perkins—8 pocket.....	4,725	5,150	5,787	6,430
(A) Peterson oven—31 tray, single unit—7' x 24".....	17,700	22,065	26,875	26,875
(A) Wrapping machine.....	5,420	6,100	7,500	8,000
(B) Motor trucks.....	1,560	2,186	2,390	2,640
Building.....	5.00 sq. ft.			7.75 sq. ft.

(A) All shown in U.S. funds for comparison purposes.

(B) Trucks of comparable capacity.

The purpose of supplying the above information is to bring out the high cost of replacement of capital equipment. Approximately 80 per cent of the original equipment is obsolete and practically worn out. The specific equipment we refer to originally cost \$270,000. Replacement will cost approximately \$410,000.

Present motor fleet cost \$180,000. Replacements will cost approximately \$300,000.

While we are leasing manufacturing space at present in Toronto, we plan to erect a streamlined bakery in the near future.

CHRISTIE'S BREAD, LIMITED

LOAVES OF BREAD PRODUCTION IN RELATION TO TOTAL BREAD DIVISION

(Bread Division—Bread, Rolls, Iced Buns, Holland Rusk)

	Total	Bread only	Per cent bread to total	Memo rolls	Memo iced buns	Holland rusk
	\$	\$		\$	\$	\$
1947—						
January.....	194,703	141,215	72.53	19,834	17,144	16,510
February.....	179,151	125,221	69.90	17,180	18,641	18,109
March.....	185,710	130,022	70.01	16,868	20,347	18,473
April.....	187,302	133,445	71.25	17,755	21,266	14,836
May.....	203,575	145,567	75.68	21,818	24,952	11,238
June.....	201,004	144,116	71.70	23,038	23,640	10,210
July.....	216,039	156,622	72.50	27,886	24,932	6,599
August.....	210,361	152,016	72.26	29,152	24,068	5,125
September.....	233,512	172,305	73.79	26,147	25,963	9,097
October.....	287,734	207,329	72.40	25,184	36,663	17,558
November.....	273,583	199,723	73.00	21,560	28,897	23,403
December.....	291,591	233,569	80.10	19,923	28,741	9,358
Total.....	2,664,265	1,942,150	72.90	266,345	295,254	160,516
1948—						
January.....	279,936	232,762	83.15	19,615	26,712	847

PRICES

987

(EXHIBIT "8")

1947	White sliced	Per cent	White unsliced	Per cent	White sandwich	Per cent	Whole wheat	Per cent	Whole wheat sandwich	Per cent	Whole wheat sliced	Per cent	Total pounds
January.....			1,857,060	69.94	533,154	20.08	219,139	8.25	45,847	1.73			2,655,206
February.....			1,645,329	69.78	473,390	20.08	197,861	8.39	41,185	1.75			2,357,765
March.....			1,706,042	69.70	494,949	20.22	202,958	8.29	43,832	1.79			2,447,801
April.....			1,745,536	69.56	506,982	20.20	211,709	8.44	45,222	1.80			2,509,449
May.....			1,896,825	69.27	552,642	20.15	238,613	8.71	50,351	1.84			2,738,431
June.....			1,875,032	69.07	549,537	20.24	240,324	8.85	49,701	1.83			2,714,595
July.....			2,073,026	70.35	573,901	19.48	249,976	8.48	49,659	1.68			2,946,562
August.....			2,010,130	70.23	553,263	19.33	248,041	8.66	50,797	1.77			2,862,231
September.....			2,001,976	70.63	551,971	19.47	232,486	8.20	48,125	1.70			2,834,55
October.....			2,090,359	69.88	600,318	20.07	240,161	8.03	60,474	2.02			2,991,312
November.....	222,124	7.84	1,728,729	60.99	594,080	20.96	210,232	7.42	79,029	2.79	27		2,834,221
December.....	821,793	25.31	1,465,963	46.08	637,958	19.65	211,264	6.51	79,262	2.44	156		3,246,396
1948													
January.....	1,046,366	33.12	1,262,392	39.96	598,387	17.99	200,292	6.36	76,273	2.41	4,680	0.16	3,159,090
February.....	1,140,044	41.71	920,494	33.67	424,468	15.53	170,673	6.24	64,419	2.36	13,382	0.49	2,733,480

CHRISTIE'S BREAD, LIMITED

WEEKLY PRODUCTION

Week Ending	Un sliced			Sliced		Total Loaves
	Wholesale Price	Regular loaves	Sandwich loaves	Wholesale price	Number of loaves	
	cts.			cts.		
Sept. 6.....	8	329,342	81,545			410,887
13.....	8	340,009	92,110			432,119
(Eff. Sept. 18).....	11					
20.....	11	337,699	90,723			428,422
(Eff. Sept. 25).....	10½					
27.....	10½	351,158	95,623			446,781
Oct. 4.....	10½	357,918	95,204			534,122
11.....	10½	382,512	104,811			487,323
18.....	10½	308,060	82,402			390,462
25.....	10½	329,511	100,066			429,577
Nov. 1.....	10½	338,660	103,842			442,502
8.....	10½	338,525	106,481			445,006
15.....	10½	336,597	106,049	(Eff. Nov. 17)		442,646
22.....	10½	295,266	107,067	12	48,452	450,787
29.....	10½	251,567	105,007	12	98,557	455,131
Dec. 6.....	10½	252,155	105,188	12	109,490	466,833
13.....	10½	247,874	104,982	12	116,247	469,103
20.....	10½	248,518	103,885	12	124,603	477,069
27.....	10½	212,340	89,092	12	107,784	409,216
Jan. 3.....	10½	242,445	101,630	12	128,920	472,995
10.....	10½	231,092	96,731	12	159,869	487,692
17.....	10½	225,518	100,024	12	154,550	480,092
24.....	10½	217,630	97,447	12	158,940	474,017
(Eff. Jan. 26).....	11½					
31.....	11½	203,538	94,429	12	172,004	470,016
Feb. 7.....	11½	194,858	87,500	12	183,482	465,840
14.....	11½	180,007	79,188	12	189,541	448,736
21.....	11½	170,391	72,431	12	180,662	423,484
28.....	11½	168,010	77,085	12	203,345	448,440

(EXHIBIT "10")

CHRISTIE'S BREAD, LIMITED

Christie's Regular White Bread

Formula run September, 1947—

Flour.....	100	—
Water.....	69	—
Yeast food.....	—	3½
Wytase.....	1	—
Yeast.....	1	— 13
Salt.....	2	— 8
Sugar.....	4	—
Milk solids.....	4	— 8
Lard.....	3	—
Mycoban.....	None	

Formula run December, 1947—

Flour.....	100	—
Water.....	70	— 8
Yeast food.....	—	3½
Wytase.....	1	—
Yeast.....	1	— 13
Salt.....	2	— 8
Sugar.....	4	— 8
Milk solids.....	4	— 8
Lard.....	3	—
Mycoban.....	None	

Formula run February, 1948—

Flour.....	100	—
Water.....	72	—
Yeast food.....	—	3½
Wytase.....	1	—
Yeast.....	1	— 13
Salt.....	2	— 8
Sugar.....	5	—
Milk solids.....	5	—
Lard.....	3	— 8
Mycoban.....	None	

The committee adjourned.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 21

WEDNESDAY, MARCH 10, 1948

WITNESSES:

Mr. D. F. Wilson, President, Christie's Bread Limited, Toronto.

Mr. Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread Limited, Toronto.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



MINUTES OF PROCEEDINGS

WEDNESDAY, March 10th, 1948.

The Special Committee on Prices met at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

The Chairman presented a report from the Steering Committee as recorded in the Minutes of Evidence.

Mr. D. F. Wilson, President, and Mr. Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread Limited, Toronto, were recalled and further examined.

At 6.05 p.m., witnesses retired and the Committee adjourned until Thursday, March 11, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
March 10, 1948.

The Special Committee on Prices met this day at 4.00 p.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will come to order. The steering committee met this afternoon and it was agreed to call the members of this committee into executive session tomorrow or Friday. Counsel and our accountant will be in attendance and several matters will be dealt with—matters which the steering committee considers should be discussed with the full committee, having to do with certain phases of our inquiry and certain things which we have in mind.

Mr. IRVINE: The committee will meet at the regular hour?

The CHAIRMAN: The committee will meet at the regular hour and the chair will decide when the executive session will start. The committee has also agreed that the Governor of the Bank of Canada, Mr. Graham Towers, shall be called immediately after the inquiry into butter, which inquiry will not now likely commence until at least Monday.

Would you proceed, Mr. Dyde?

Daniel F. Wilson, President Christie's Bread Limited, recalled:

Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread Limited, recalled:

Mr. DYDE: Mr. Wilson, I am still dealing with some general questions and not with special reference to the exhibit, No. 46. I think at the hour of adjournment yesterday I had asked you a question which you did not answer owing to the adjournment. I asked you when Christie's Bread entered the Montreal field?

Mr. WILSON: On March 1.

Mr. DYDE: 1948?

Mr. WILSON: 1948, yes.

Mr. DYDE: And would you please say how you proposed to enter that field—that is by what method as to cost, or as to prices?

Mr. WILSON: We made a survey of the Montreal market and the result of the survey showed that bread retailed at anywhere from 10 to 15 cents, 10 to 14 cents unsliced, and 10 to 15 cents sliced, so we figured that as far as we were concerned we would enter the market at 12 cents sliced or unsliced. The reason for adopting the one price was that our experience in Toronto had showed us the consuming public preferred sliced bread and we felt that within a short period of time it would be all sliced bread. Therefore we entered the market at 12 cents, and the retailer would get 14 cents.

Mr. DYDE: That is for sliced bread, and at what price did you enter the market for unsliced bread?

Mr. WILSON: 12 cents.

Mr. DYDE: 12 cents for both the sliced and unsliced bread?

Mr. WILSON: That is correct.

Mr. DYDE: And is that above or below the general prevailing margin?

Mr. WILSON: It would be $\frac{1}{2}$ a cent above our unsliced loaf in Toronto and $\frac{1}{2}$ a cent below our sliced loaf, or rather the same as our sliced loaf in Toronto, pardon me. It would be a $\frac{1}{2}$ cent less than the prevailing top price in the Montreal market.

Mr. DYDE: And do you know what the prevailing margin was between the wholesale and retail price at that time in Montreal?

Mr. WILSON: Well I cannot say definitely. It is all hearsay but anywhere from 1 cent to $1\frac{1}{2}$ cents, that is aside from any discounts there may have been.

Mr. DYDE: You examined the position pretty carefully though before you went in there, did you not?

Mr. WILSON: I would say we did.

Mr. DYDE: So your estimate is probably quite accurate?

Mr. WILSON: I would say it is reasonably accurate.

Mr. DYDE: Would you say, or do you say that the margin that was available to the retailer previously was too low or too small?

Mr. WILSON: Well, not being a retailer, that would be a matter of opinion.

Mr. DYDE: You would not wish to say what your opinion was?

Mr. WILSON: No, I would not.

Mr. DYDE: Now in connection with the sale in Toronto, Mr. Wilson, we have had evidence here from Mr. Arnold of Pickering Farms that a driver from Christie's, on January 26, very coldly announced that the price of bread had increased, that it would cost Arnold $11\frac{1}{2}$ cents, and that Arnold would retail it at 14 cents. Was the price of bread to all your customers increased by 1 cent on January 26?

Mr. WILSON: That is correct.

Mr. DYDE: It was also said by Mr. Arnold, in evidence, that the other drivers who called that day had not increased their price. Is it fair to say that Christie's Bread was the first company to increase the price in Toronto in January 1948?

Mr. WILSON: As near as I know I would say that is pretty near correct.

Mr. DYDE: You do not know of any other bakery that had increased their price previously?

Mr. WILSON: I have no definite proof that they did and I think at that time we were the only ones.

Mr. DYDE: Yes, and when you increased the price on the 26th of January had you any sort of information from the other baking companies that they would follow suit?

Mr. WILSON: No, sir.

Mr. DYDE: There was no discussion with them beforehand as to the price?

Mr. WILSON: Aside from the fact that I made a blunt statement to Colonel Ruttan, which I believe you are familiar with, that we were increasing our price by 1 cent commencing the 26th.

Mr. DYDE: Yes, and I told you just now, what the effect of Mr. Arnold's evidence was. Had you read reports of Mr. Arnold's evidence before coming here?

Mr. WILSON: Yes, sir.

Mr. DYDE: Did you make inquiries to find out whether your driver did that?

Mr. WILSON: Well I made inquiries—I think I made inquiries before Mr. Arnold was on the stand here—as to why we lost the account.

Mr. DYDE: Did you lose the account?

Mr. WILSON: Yes, sir.

Mr. DYDE: And have you been selling Arnold since then?

Mr. WILSON: Yes sir, we resold the next day.

Mr. DYDE: And did you go to see Mr. Arnold?

Mr. WILSON: No, sir.

Mr. DYDE: Do you know whether any responsible officers of the company went to see Arnold?

Mr. WILSON: Yes, I believe we had our sales manager see Mr. Arnold.

Mr. DYDE: Who was that?

Mr. WILSON: I think it was Mr. Blaine.

Mr. DYDE: Did he make a report to you?

Mr. WILSON: Yes, sir.

Mr. DYDE: What was his report?

Mr. WILSON: His report was that he had spoken to Mr. Arnold and Mr. Arnold maintained that he was still going to retail our bread at 13 cents.

Mr. DYDE: Yes, and did you take any action thereafter?

Mr. WILSON: No, sir.

Mr. DYDE: None at all?

Mr. WILSON: None.

Mr. DYDE: And you started to sell again to Mr. Arnold at once?

Mr. WILSON: Yes.

Mr. DYDE: And you have done so ever since?

Mr. WILSON: That is correct.

Mr. JOHNSTON: At the same price? Or at 1 cent increased price?

Mr. WILSON: At 1 cent increased price.

Mr. DYDE: Have you ever in any instance refused to supply a retailer who refused to resell at the 14-cent price?

Mr. WILSON: No, sir.

Mr. DYDE: Now I am coming to exhibit 46 and I have one or two questions.

Mr. IRVINE: Before you leave this could I ask a question here? Would you mind?

Mr. DYDE: No.

Mr. IRVINE: I would like to ask, Mr. Chairman, why it was that the witness informed Colonel Ruttan of the intention to raise the price of bread?

Mr. WILSON: What was that again?

Mr. IRVINE: What was your reason for informing Colonel Ruttan of your intention to raise the price of bread and you have just admitted that you did so?

Mr. WILSON: I had no particular reason, we were carrying on a conversation in my office and I just made the statement.

Mr. IRVINE: Did you think Colonel Ruttan might call the other bakers and inform them of your decision?

Mr. WILSON: I did not know whether he would or not.

Mr. IRVINE: Were you not interested at all?

Mr. WILSON: Not to any particular point, no.

Mr. IRVINE: Would it not have been to your interest to be sure about that?

Mr. WILSON: Not necessarily.

Mr. IRVINE: Well, would Christie's have been able to sell their bread at 14 cents if the other bakers had continued to sell at 13 cents?

Mr. WILSON: I think we would have.

Mr. HARKNESS: Just a moment there, you do not sell at retail at all do you?

Mr. WILSON: No, sir.

Mr. IRVINE: I mean the price of bread that was sold or retailed at that price—

Mr. WILSON: You mean if the retailer charged 14 cents for our bread as against 13 cents for others?

Mr. IRVINE: Yes.

Mr. WILSON: Would we have stepped our price up? We most certainly would because our cost cards indicated—

Mr. IRVINE: Well do you agree with the evidence that has been given here on several occasions that when the price of bread is lowered by any bakery that other bakeries are compelled by competition to meet that price. I am talking about lowering—

Mr. HOMUTH: Now Mr. Chairman, just a moment. The people who gave that evidence gave it for their individual firms and they did not give it for the general baking industry. I do not think that—

The CHAIRMAN: That is not the impression I have, Mr. Homuth, as to the evidence.

Mr. HOMUTH: I think the Canada Bread Company and the other companies said that if bread was knocked down in price by someone they would follow suit as individuals. Now I do not think any answer—

Mr. IRVINE: I can easily get the answer another way.

Mr. MAYBANK: That does not make a difference in one way. Mr. Irvine could ask whether the witness agrees with such a statement, or whether Mr. Irvine is correctly stating the evidence that has been given.

Mr. IRVINE: Do you agree with the view that has been expressed here that when a baker, say of the significance of Christie's, lowers their price that other bakers in competition are bound to follow?

Mr. WILSON: Well all I can give you is our own opinion as to what we would do. As already stated we are strictly a wholesale company and we try to keep a healthy condition in existence as far as our own particular company is concerned, and, if we could afford to lower the price, we would lower the price regardless of the other fellow; but if it is necessary due to rising costs to raise the price, we would raise our price regardless of the other fellow.

Mr. IRVINE: Well, no it does not. Is there any competition among the bakeries?

Mr. WILSON: Sure there is competition.

Mr. IRVINE: There is some competition?

Mr. WILSON: Oh, definitely.

Mr. IRVINE: Do you want us to believe then that another company can sell presumably the same kind of loaf and the same grade of loaf for a cent less than your loaf is being sold and you can still go on doing business?

Mr. WILSON: We are doing it now in the face of 10, 11 and 12-cent bread.

Mr. IRVINE: Then there is no competition which you have to meet of any consequence, is there?

Mr. WILSON: Oh yes there is, and there is the choice of the consuming public.

Mr. IRVINE: They choose the dearer loaf rather than the cheaper one?

Mr. HOMUTH: No, now wait—

Mr. IRVINE: There must be some exercise of choices there.

Mr. HOMUTH: There is exercise of choice but it is not a matter from the standpoint of price it is a matter of what they want.

Mr. IRVINE: Did you have any fear at all when you raised your price that the other companies would not follow?

Mr. WILSON: No, sir.

Mr. IRVINE: You did not care?

Mr. WILSON: I got to the point where we did not worry about whether they did or whether they did not, we knew we had to.

Mr. DYDE: Mr. Chairman, I have one or two questions with regard to Exhibit 46.

Mr. JOHNSTON: Mr. Chairman, before you leave this—

The CHAIRMAN: Do you mind letting Mr. Dyde proceed, Mr. Johnston?

Mr. JOHNSTON: If he is going on to another phase of this.

The CHAIRMAN: He is going on to another phase which is rather important. If you would let him go ahead, if you don't mind.

Mr. DYDE: This is very close to the type of questions Mr. Irvine asked, and when I have concluded questioning will be open. Mr. Wilson, would you look at Exhibit 46, please turn to page 9—I think you call it Exhibit 9—

Mr. WILSON: Page 9 would be all right.

Mr. DYDE: Yes, and some way down the page you give your weekly production for the week ending January 31—do you see that line?

Mr. WILSON: Yes, sir.

Mr. DYDE: And at the end of that line there is the figure 470,016.

Mr. WILSON: Yes, sir.

Mr. DYDE: Which is your week's production in loaves.

Mr. WILSON: That is correct, yes.

Mr. DYDE: And now would you go back to page 1 of your exhibit, in your Exhibit 1 which is about the fourth page of Exhibit 46?

Mr. WILSON: Yes.

Mr. DYDE: Now that week of January 31 was the week in which bread was selling at 11.5 cents or the wholesale price, your wholesale price was 11.5 cents?

Mr. WILSON: Yes.

Mr. DYDE: And I want to point out that that 11.5 cents was effective that week for the first time and that previously it had been 10.5 cents.

Mr. WILSON: That is correct, for the unsliced loaf.

Mr. DYDE: Yes. Now, on Exhibit 1, I call attention to the fact that in January of 1948 the net profit on bread before income tax was \$12,647.08; that is correct, isn't it?

Mr. WILSON: No sir, that is not correct. If you look at the heading at the top of that sheet it says: (includes profit on bread, rolls, iced buns and Holland Rusk).

Mr. DYDE: All right, but the column I am referring to is the column headed "Net profit", but now you say that while bread is there it means bread and these other things too.

Mr. WILSON: That is the total bread operation of the company.

Mr. DYDE: Yes, the total in January, 1948, is \$12,647.08?

Mr. WILSON: Yes, sir.

Mr. DYDE: Now if no price increase had been made in the week of January 31 and if you had stayed at 10·5 cents—

Mr. MAYBANK: The week ending the 31st?

Mr. DYDE: Ending the 31st.

Mr. MAYBANK: I wanted to get that clear.

Mr. DYDE: The week ending the 31st.

Mr. WILSON: Beginning with January 26.

Mr. DYDE: So in the week ending January 31 you got an additional cent per loaf on 470,061 loaves; is that correct?

Mr. WILSON: That is correct—no, you have it on 203,000 loaves.

Mr. MAYBANK: The change was in the middle of the week?

Mr. WILSON: No, in sales of unsliced—the one cent price rise was on 203,583 loaves.

Mr. DYDE: 203,583 loaves on which you got a cent more than you were getting the previous week?

Mr. WILSON: Pardon me?

Mr. DYDE: On which your price was one cent more than it had been the previous week?

Mr. WILSON: That is correct.

Mr. DYDE: And multiplying 203,583 by 1 cent equals what?

Mr. WILSON: \$2,035.83.

Mr. DYDE: So that your profit in January, if you had no increase in price, would be \$12,647.08 less \$2,035—am I correct?

Mr. STORMER: Not necessarily so.

Mr. DYDE: Why?

Mr. STORMER: There would be a difference in salesmen's commissions and a number of other things.

Mr. DYDE: Well then, would you give me as accurate an estimate as you can of the figure that I should use?

Mr. STORMER: Just offhand I would say \$1,750.

Mr. DYDE: \$1,750?

Mr. STORMER: I think that would be fair.

Mr. DYDE: I will accept that figure, then the \$1,750 must be deducted from the \$12,647.08; is that correct?

Mr. STORMER: That is right.

Mr. DYDE: And if I carry out that subtraction I get what figure?

Mr. STORMER: About \$11,000.

Mr. DYDE: Somewhere in the neighbourhood of \$11,000.

Mr. STORMER: Yes, around that.

Mr. DYDE: Now am I right in saying that that would have been the profit on your January, 1948, operations if you had not increased the price 1 cent?

Mr. STORMER: I would say that is right.

Mr. DYDE: And if that rate were maintained for the year 1948 we would multiply by 12, would we not?

Mr. STORMER: If we assume that it would be maintained for the full year.

Mr. DYDE: Yes, that would give us a total of over \$120,000?

Mr. STORMER: Yes.

Mr. DYDE: Which would be a bigger net profit than any made in the history of your company according to that exhibit.

Mr. MAYBANK: What figure do you come to by that multiplication?

Mr. DYDE: \$120,000, which is lower than it actually would be by multiplication.

Mr. JOHNSTON: \$130,764.

Mr. DYDE: It meant over \$130,000. Now, is there anything wrong with the way that I have arrived at that figure, Mr. Wilson?

Mr. STORMER: I would say there is not, only that it might be indicated that we made all that profit on bread.

Mr. DYDE: That was your own remark with regard to the way in which we have arrived at this figure.

Mr. STORMER: Yes.

Mr. DYDE: And your best year in history since 1939 was 1946, I think, when your total net profit on all this production was \$98,000 some odd?

Mr. WILSON: Correct.

Mr. DYDE: Now, in the face of that will you answer me why you raised the price 1 cent in January?

The CHAIRMAN: I think the answer should be made by either one of you but there should not be any discussion preceding the answer. Are you going to answer that?

Mr. WILSON: Yes. He wanted to ask me something. Will you excuse us?

Mr. STORMER: Yes. Our cost sheets show that we were losing money on the 10.5 cent loaf of bread.

Mr. DYDE: Is that the total answer; because obviously on your year's operation at your old figure you were going to make a pretty good profit. Now, I have asked for the reason for that and I will be glad to give you every opportunity to answer me.

Mr. STORMER: Do you mind repeating that again?

Mr. DYDE: The main question that I have asked you is this: Why in the face of that profit position did you raise the price of bread to 1 cent in January?

Mr. WILSON: As far as our particular situation is concerned you cannot lose money on any item especially an item that makes up the amount of the operation volume that bread does and still remain in a soluble condition. We have always tried to guide ourselves according to our costs as to whether prices should go up or whether our prices should come down.

Mr. DYDE: Is that your total answer to my question? Is there anything else you want to say?

Mr. WILSON: Have you anything else you want to say Mr. Stormer?

Mr. STORMER: Well, if you want to go into the complete picture, we try to improve our quality of bread.

Mr. DYDE: Did you improve the quality of your bread in January, did you change the formula?

Mr. STORMER: We did in the month of February.

Mr. DYDE: Did you change it in the month of January?

Mr. STORMER: No.

Mr. DYDE: Did you change it in the month of February, 1948?

Mr. STORMER: That is right.

Mr. DYDE: After you had increased the price 1 cent?

Mr. STORMER: That is right.

Mr. WILSON: We changed it in December, too.

Mr. DYDE: And I see by your exhibit then, page 10, that you did change the formula in December; now, how much did that increase the cost of a loaf of bread?

Mr. STORMER: Let me ask you to look at Exhibit 3—\$1.54 on a thousand loaves.

Mr. DYDE: What is that?

Mr. STORMER: Exhibit 3, on the top line under raw materials, just there on the right-hand side.

Mr. JOHNSTON: For what month?

Mr. STORMER: It would be the difference between 59.82 on a thousand loaves in January, the week of January 24 and the February 25 figure of \$61.36.

Mr. DYDE: I asked you what change in formula. You referred me to the December formula, and I asked you what change in price came about as a result of your change in December, what change in cost; now, would you look at December, Exhibit 3?

Mr. WILSON: Yes.

Mr. DYDE: And in November I see raw materials \$62.73.

Mr. WILSON: That is right.

Mr. DYDE: Then you changed your formula and in December your cost is \$61.48.

Mr. STORMER: No, there was—

Mr. DYDE: So that would not be the reason.

Mr. STORMER: No, the price of flour was somewhat less in September than it was in November.

Mr. DYDE: Yes, but you see you told me you had changed the formula in December and that you say is one of the reasons why you increased your price on bread in January and then I came back to Exhibit 3.

Mr. STORMER: No.

Mr. DYDE: Yes, excuse me, you told me that was one of the reasons for the change in the price in January. Then I go back to exhibit 3, and I find the formula change in December actually was a decrease, so will you go on with my original question, please, if you have anything more to say as to why you increased the price in January.

Mr. STORMER: I think there was a misunderstanding on the first question. We were first talking about the improvement in the formula at the end of January or in February. That was the first one we discussed.

Mr. DYDE: You told me that the change in the formula came in February after the price increase. That is correct, is it not?

Mr. STORMER: Yes, but that was not the reason for increasing our price.

Mr. DYDE: All right; then I come back to my original question. Why did you increase the price?

Mr. WILSON: Simply because our cost card told us we had to increase the price. Our costs indicated that we were losing money on that loaf of bread. Therefore we adjusted the price.

Mr. DYDE: That is what you have as an answer to that question, is it?

Mr. WILSON: Yes, sir.

Mr. DYDE: In spite of the figures that I called your attention to on exhibit 1.

Mr. WILSON: There are a lot of things that enter into those figures such as other ingredients, and the way flour was going, and so on.

Mr. DYDE: Flour was going down.

Mr. WILSON: That is right.

Mr. DYDE: Other ingredients were not costing you any more because your formula was not going up. Have you anything more to add?

Mr. WILSON: No, that is all that I have to say on it.

Mr. PINARD: Mr. Chairman, if you refer to the first page of exhibit 46, which gives us the history of the company, I should like to clear up one point. It was said yesterday your company was a private company?

Mr. WILSON: Yes, sir.

Mr. PINARD: It mentions that on the first page?

Mr. WILSON: Yes, sir.

Mr. PINARD: I should like you to make a distinction, if there is any, between a private company which is at the same time a subsidiary of another as is the case actually. Do you understand my question?

Mr. WILSON: Yes, I get your question.

Mr. STORMER: I do not know. All I know is about our own company, and that is that all the shares of stock are owned by our parent company except the directors' voting stock, and that the company was incorporated as a private company. I do not know anything about subsidiaries. We are not subsidiary.

Mr. PINARD: Do you know that in order to be called a private company a company must have no right to invite the public to subscribe to obtain shares of that company? You know that? Did you get my question?

Mr. STORMER: I do not feel qualified to answer that question.

Mr. PINARD: Your company has a connection with the National Biscuit Company of New York. Is that correct?

Mr. STORMER: Yes.

Mr. PINARD: And most of the shares except the voting stock are held by the company in New York. That is correct also?

Mr. STORMER: That is right.

Mr. PINARD: You know that the National Biscuit Company is a public company which is, for instance, listed on the New York Stock Exchange and other exchanges as well. You know that?

Mr. STORMER: I know the National Biscuit stock is listed on the New York Stock Exchange.

Mr. PINARD: Your company is a part of the National Biscuit Company? Is that correct? It is completely controlled? They own your company?

Mr. STORMER: They own the stock.

Mr. PINARD: Would you know if there is a connection between your own company and another company which is apparently owned by National Biscuit Company of New York? I am talking about Christie Brown?

Mr. STORMER: That is right. Christie Brown and Company is also a subsidiary of the National Biscuit Company.

Mr. PINARD: Does Christie Brown control your own company?

Mr. STORMER: No, sir.

Mr. PINARD: Do you know any other subsidiaries controlled by the National Biscuit Company besides Christie Brown and yourself?

Mr. STORMER: Canadian Shredded Wheat Company.

Mr. PINARD: Do you know any others?

Mr. STORMER: That is all.

Mr. PINARD: Are you sure?

Mr. STORMER: That is all in Canada, yes, sir.

Mr. PINARD: There are others in the United States such as the Pacific Coast Biscuit Company, and Uneeda Incorporated?

Mr. STORMER: No, sir.

Mr. PINARD: You answer "no" to that question?

Mr. STORMER: There are no operating subsidiaries in the United States that I know of.

Mr. PINARD: Besides Canadian Shredded Wheat and Christie Brown you say that is all that National Biscuit Company controls taking the United States as well?

Mr. STORMER: I believe so. A number of years ago they purchased the Pacific Coast Biscuit Company, but I do not know anything about it.

Mr. PINARD: If I were to tell you, for instance, that the National Biscuit Company also controls many milling companies would you know that? Is that correct?

Mr. STORMER: I think they do, yes.

Mr. PINARD: You think they do. Those milling companies are subsidiaries of the National Biscuit Company?

Mr. STORMER: I think they are owned outright.

Mr. PINARD: What is that?

Mr. STORMER: I do not know but I think they are owned outright. I do not know. I would rather not answer that question.

Mr. PINARD: I am asking you these questions because I also want to know if there is a connection between the National Biscuit Company of New York and another company bearing approximately the same name, the National Biscuit and—

Mr. STORMER: Confectionery.

Mr. PINARD: The National Biscuit and Confectionery Company.

Mr. WILSON: No.

Mr. PINARD: I hear that National Biscuit and Confectionery is controlled by McCormick's or by Weston's. Is that correct?

Mr. WILSON: I do not know whether it is correct. We hear the same thing.

Mr. PINARD: You hear the same thing.

Mr. WILSON: Yes.

Mr. PINARD: You also hear that Weston's control McCormick's and that Mr. E. P. McCormick and Mr. W. J. Weston are directors of both companies. Would you know that?

Mr. WILSON: I would not know.

Mr. PINARD: Here is what I am coming to. Both the National Biscuit Company of New York and the National Biscuit and Confectionery Company own a great number of bakeries in Canada besides yours, and I want to know if there is any connection between all those companies and yourself?

Mr. STORMER: I am quite definite that the National Biscuit Company does not own any subsidiary in Canada other than what I named, the Canadian Shredded Wheat Company, Christie Brown and Company Limited, and Christie's Bread Limited. That is quite definite.

Mr. PINARD: I see on exhibit 46 that your manufacturing space in Toronto is rented from Christie Brown and Company Limited?

Mr. STORMER: That is correct.

Mr. PINARD: I see also you are buying cakes from Christie Brown and Company. Is that correct?

Mr. STORMER: No.

Mr. WILSON: We are buying what?

Mr. PINARD: That you purchased cakes from Christie Brown and Company Limited?

Mr. WILSON: In what period?

Mr. PINARD: I am asking you if you are doing it now?

Mr. WILSON: No. That is part of Christie's Bread Limited as of July 1.

The CHAIRMAN: Are you finished, Mr. Pinard?

Mr. PINARD: I just have a few questions. I wish to know this. So far as flour is concerned I am also informed that 90 per cent of the flour purchased by all bakeries controlled by the National Biscuit Company is furnished to the bakeries by what they call the milling division of National Biscuit Company. Is that correct? In other words, you get all your flour from your own companies?

Mr. WILSON: In Canada?

Mr. PINARD: In Canada as well as in the United States?

Mr. WILSON: We do not know anything about the United States but we know that is not so as far as Canada is concerned.

Mr. MAYBANK: I should like to ask the witness a few questions about that 1 cent price rise. This 1 cent price rise was on January 26?

Mr. WILSON: Yes, sir.

Mr. MAYBANK: At that time there had not been any increase in price by other companies as far as you know?

Mr. WILSON: With the exception of the original—

Mr. MAYBANK: But just about that time there was not another price rise?

Mr. WILSON: No, not to my knowledge.

Mr. MAYBANK: You were the leaders in the price rise at that time. Is that not right?

Mr. WILSON: Well, I do not know whether the term leader . . .

Mr. MAYBANK: Well, you were the first to make the increase?

Mr. WILSON: I would say that is reasonably so.

Mr. MAYBANK: I should like to know from you the manner in which the decision was made to increase the price. Is that done simply by some individual or is that done as a result of a meeting, and if so what kind of a meeting? What actually took place leading up to the decision to increase the price as of January 26?

Mr. WILSON: Will you give him a little idea of our cost procedure, Mr. Stormer?

Mr. STORMER: At the end of each month we prepare an analysis of our previous results. In November we showed a loss of .16 per cent on our 10½ cent loaf of bread. I refer to exhibit 3.

Mr. MAYBANK: Where is that reflected on exhibit 3?

Mr. STORMER: At the bottom of the page.

The CHAIRMAN: Page 3.

Mr. STORMER: Page 3.

Mr. MAYBANK: You are referring to the November picture there where you say you have a loss on this particular loaf of .16?

Mr. STORMER: That is right, sir.

Mr. MAYBANK: Yes.

Mr. STORMER: For the month of December we showed a loss of .18 per cent.

The CHAIRMAN: On that particular loaf.

Mr. STORMER: In other words, on the 10½ cent loaf of bread.

Mr. MAYBANK: Now, those were the reasons, you say, that prompted this price rise?

Mr. STORMER: That would be the natural reason.

Mr. MAYBANK: But I am asking you whether that was the reason?

Mr. STORMER: Absolutely.

Mr. MAYBANK: Do you know that was the reason?

Mr. STORMER: Yes, sir.

Mr. MAYBANK: Do you remember the decision being made to increase the price?

Mr. STORMER: Yes, sir.

Mr. MAYBANK: Did you have any hand in making the decision yourself?

Mr. STORMER: Well, Mr. Wilson and I talked these things over. He is the president and I am vice-president.

Mr. MAYBANK: Then you did have something to do with determining it?

Mr. STORMER: That is right.

Mr. MAYBANK: And was the decision made by you two gentlemen as a result of discussion or did other people come into it?

Mr. HOMUTH: Do you mean other people from outside the company or within the company?

Mr. MAYBANK: Well, I mean within the company.

Mr. WILSON: We have what we call an operating board.

Mr. MAYBANK: Yes.

Mr. WILSON: It is made up of four or five of the executives. These things are all discussed before the operating board.

Mr. MAYBANK: That is what I was asking, the manner in which the decision is made, and from that we lead on to the description Mr. Stormer has given us of an analysis being prepared.

Mr. WILSON: That is correct.

Mr. HOMUTH: It would be in the same way lawyers get together in a county and set certain fees they are going to charge.

Mr. MAYBANK: You have these meetings of this board frequently to discuss various things?

Mr. WILSON: Once a week.

Mr. MAYBANK: Then the decision to increase the price was made by that board?

Mr. WILSON: That is right.

Mr. MAYBANK: Now then, Mr. Stormer said you found your position as outlined on exhibit 3 to be a loss on this particular loaf, and that that was the reason that you decided upon the 1 cent increase. Is that correct?

Mr. WILSON: Yes.

Mr. MAYBANK: And that is what you looked at and that is what you decided, and that is how it came about that you increased the price. Is that the situation?

Mr. WILSON: That is it.

Mr. MAYBANK: Well, the reason I am pressing it is I was so surprised that you were not able to give to Mr. Dyde any answer as to the reason for increasing the price.

Mr. WILSON: Well, I believe we definitely said that we were guided by the cost card. That is what I meant by the cost card.

Mr. MAYBANK: Now, your profits during November, not referring to that particular loaf, but your profit position in November was a pretty satisfactory position. Is that right?

Mr. STORMER: In what month?

Mr. MAYBANK: The month of November; that was the analysis to which you have been referring. Where is that reflected? It was somewhere in the neighbourhood of \$9,000?

Mr. STORMER: That is on Exhibit 1. If you will refer to Exhibit 1, you will note in the month of November we made 1.23 per cent profit on sales which includes the profit on bread, rolls, iced buns and Holland rusks and our sandwich loaf of bread which we had already been making a profit on in the month of November.

Mr. MAYBANK: In the total you made \$9,978, in November.

Mr. STORMER: In November?

Mr. MAYBANK: No, \$3,000 is the next month.

Mr. STORMER: I am sorry, I thought you said November.

Mr. MAYBANK: I did; I misled you there. The November figure, in dollars, is \$3,088.

Mr. STORMER: There again the same thing applies except that the ratio on sandwich bread or sliced bread, I mean, was rapidly increasing, as you will note from Exhibit 9—no, it is Exhibit 8.

There, on Exhibit 8, we show our production in pounds. You will notice in November, the month in which we introduced sliced bread, about the middle of that month I believe it was—at any rate, it was 7 per cent of our total bread pounds and in December it was 25 per cent. In January, it was 33 per cent and in November 41 per cent. So, that would have a decided effect on the December operations.

Mr. MAYBANK: At any rate, your December operation showed practically \$10,000 profit.

Mr. WILSON: Before taxes.

Mr. MAYBANK: Before taxes, yes.

The CHAIRMAN: Are you finished, Mr. Maybank?

Mr. MAYBANK: Yes, for the moment.

Mr. HOMUTH: I wanted to ask the witness what the total sales were for November.

Mr. WILSON: That is on the combination of cake and bread?

Mr. HOMUTH: I do not care. Give me your total sales because they are talking about total profits. What were your total sales in November?

Mr. STORMER: In December?

Mr. HOMUTH: No, November.

Mr. STORMER: \$250,958.

Mr. HOMUTH: What were they in December?

Mr. STORMER: \$278,882.

Mr. HOMUTH: And what in January?

Mr. STORMER: \$278,472. Those are just the bread items, referring to bread, rolls, iced buns and Holland rusks.

Mr. HOMUTH: I am talking about your total sales, because they are talking about the total profits in your business.

Mr. STORMER: We will have to add them together because I do not have it on Exhibit 7.

Mr. HOMUTH: They are trying to point out that what you make on the one should reduce the price of another. Now then, let us get the complete picture of your business. If we are going to say you made \$9,000 or \$10,000 profit in December, what per cent is that of sales?

Mr. MAYHEW: If you will look at schedule 1, you will see that the \$9,000 was not on the total. It was on bread.

Mr. MAYBANK: It appears to be on bread, rolls, iced buns and Holland rusks. Those profits of \$10,000-odd in one month and \$3,000 approximately in another month, are not on your total business, are they?

Mr. STORMER: No.

Mr. MAYBANK: They are on those items which are listed at the top of the page?

Mr. STORMER: Yes.

Mr. MAYBANK: They are on rusks, plus iced buns, plus rolls, plus bread. They are not, as Mr. Homuth suggests here, the total business. Since we are at that point, then, could you break this down and indicate what the several percentages of these four kinds of business bear the one to the other?

Mr. STORMER: We did that in the month of October because we had a problem. It was the first month in which we had operated after the increase and after flour was put to the higher price. There was a lot of work involved in doing that but we wanted to find out, after we had closed our business for the month of October, just where we did make our profits in that month. Therefore, we prepared the analysis which you may see at the bottom of page 1 or Exhibit 1. It is marked with an "X".

You will notice we had that month a total profit of \$14,861 on those items referred to above. We had an indicated profit on bread of \$1,695 and, by bread I mean bread only; just loaves of bread. On iced buns, we had a profit of \$8,151; on rolls, a profit of \$2,639, and rusks, \$2,376.

Now then, we removed from that the profit which we had made on the inventory of subsidized flour which, by the way, was approximately one week's supply or, roughly 2,350 barrels of flour.

As you will recall, in the month of October there was a packers' strike and somebody, I believe the Wartime Prices and Trade Board, authorized the importation of American lard into Canada. We got our share, in order to keep our bread production going. It was impossible to buy lard from the local markets. We also took into consideration the price of lard, that is, what we paid for that lard over and above the local markets. After taking those things into consideration we come out with the figures at the right-hand margin, namely, \$2,460 of a loss on bread. On iced buns there was a profit of \$8,436; on rolls, a profit of \$2,483, and for rusks a profit of \$2,280.

It was on that evidence Mr. Wilson reduced the price of iced buns. We felt we had entirely too much profit on the iced buns and they were carrying too much of a load.

Mr. MAYBANK: That is something I was going to ask you about. You increased the price of bread about this time, just a little after, but one of the other three items was reduced?

Mr. STORMER: That is right, iced buns.

Mr. MAYBANK: What was the reduction which took place there?

Mr. WILSON: They went from 25 cents a package to 20 cents, retail.

Mr. MAYBANK: That is the store price?

Mr. WILSON: That is the retail price.

Mr. STORMER: Our price was reduced from 20 to 16, or 20 per cent.

Mr. LESAGE: Did you say, Mr. Stormer, that this break was made for October?

Mr. STORMER: That is right. It showed up after we had closed our results for the month. I may say we close out at the end of each month, just as though it was the end of the year. We work out our income taxes, our provincial income taxes and so on, so that we know very definitely what our profits are for that month. We had indicated, there, \$14,681. We went to a great deal of effort to run that down and find out exactly where we had made that \$14,681. We wanted to see whether it would repeat.

Mr. LESAGE: So, on Exhibit 3, in the column for October, 1947, this profit of .79 was a profit in dollars of \$1,695?

Mr. STORMER: It would work out approximately at that.

Mr. LESAGE: That is correct?

Mr. STORMER: That is right.

Mr. LESAGE: Your profit for October, 1947, was .79 per cent which gave you approximately, in dollars, \$1,695?

Mr. STORMER: That is right. I would say, roughly; these exhibits are cost card figures.

Mr. LESAGE: So, in the three weeks' period from January 1 to January 23, 1948, on Exhibit 3 again, a profit of .55 per cent—

Mr. STORMER: I beg your pardon, sir?

Mr. LESAGE: A profit of .55 per cent, which is mentioned there, would have given you for the whole month a profit in dollars of about \$1,100?

Mr. STORMER: Well, we will have to be careful; that is just on bread. This .55 would have been a profit on our bread and we would, of course, have a profit on Holland rusks and iced buns—

Mr. LESAGE: No, I am taking only the \$1,695 figure as a basis for my calculations; that is on bread alone?

Mr. STORMER: This \$1,695 is for October.

Mr. LESAGE: Yes, but the \$1,695 then was .79 per cent profit so, I say .55 per cent profit would be approximately \$1,100 if the volume was about the same?

Mr. STORMER: Yes, say approximately or roughly.

Mr. LESAGE: That was the first time since August that you were making a profit on bread, at that time in January, according to the figures in Exhibit 3?

The CHAIRMAN: No, they made a profit in December.

Mr. WINTERS: In October.

Mr. LESAGE: Yes, but I understand that was due to the fact they had some flour on hand. It was because you were not making a profit in those few months that you increased your price of bread from 13 to 14 cents?

Mr. STORMER: That is correct.

Mr. HOMUTH: With the government's blessing.

The CHAIRMAN: There was a profit in December.

Mr. LESAGE: It was minus .18 per cent.

Mr. STORMER: We did not have our January figures available.

Mr. LESAGE: When were they available?

Mr. STORMER: Probably the 15th or 20th of the following month.

Mr. LESAGE: You did not decrease your price, then, when you noticed you had made a profit with bread at 13 cents in January?

Mr. STORMER: We increased our price on January 26.

Mr. LESAGE: At that moment, you said you did it because of the figures for November and December but, at that time, you did not have in hand the figures for January. However, in February you did have the figures for January and you noticed that you had made a profit in January. You did not think of decreasing your price to 13 cents?

Mr. WILSON: No, we thought of increasing the formula which has a definite bearing on the February results.

Mr. LESAGE: How much did it cost you, in cents per loaf, when you increased your formula in February—if it did cost you anything?

Mr. WILSON: Will you repeat that question for Mr. Stormer's benefit, please?

Mr. LESAGE: How much did the change in formula increase the cost of one loaf of bread?

Mr. STORMER: If we had then increased our price—

Mr. LESAGE: No, no, the cost?

Mr. STORMER: If we had not increased our price in January we would have continued to lose money.

Mr. LESAGE: What was the exact increase in cost, in cents or fraction of cents, due to the change in formula in February?

Mr. STORMER: You will notice that on exhibit 3.

Mr. LESAGE: On exhibit 3?

Mr. STORMER: Or page 3.

Mr. PINARD: It has been mentioned already.

Mr. STORMER: In raw material?

Mr. LESAGE: There was a difference in your total manufacturing cost on 1,000 loaves of bread of—

Mr. FLEMING: \$1.54.

Mr. LESAGE: Yes, \$1.54 which means .015 of a cent per loaf, and that is all.

The CHAIRMAN: It should be borne in mind Mr. Lesage that the increase in January was only effective for one week.

Mr. WINTERS: Less than a week.

The CHAIRMAN: Five days.

Mr. LESAGE: I am talking about the period January 1st to 23rd and I am not taking into account the increase of the figure .55 of a cent. The increased cost per loaf was only .015 of a cent.

Mr. STORMER: If we go back to January, between January 1st and 23rd we had a profit of .58 per thousand loaves. We increased the price of those ingredients by \$1.54, so that we were right back in the red.

Mr. FLEMING: May I ask one question on that point, Mr. Lesage? At what time, on what date, did you improve your formula?

Mr. STORMER: In February.

Mr. FLEMING: Was it in the whole month or just part of the month?

Mr. WILSON: No, about the 25th.

Mr. LESAGE: About the 25th?

Mr. FLEMING: Is this figure \$61.23 for raw material in February—

Mr. STORMER: We thought you people would be interested in working it out that way.

Mr. FLEMING: I just want to get at this. The change in formula reflected here was in effect only a few days in February?

Mr. STORMER: That is right.

Mr. FLEMING: What would be the relative increase for the whole month?

The CHAIRMAN: Well I wonder, Mr. Fleming, if you would just let Mr. Lesage finish. This just puts him off and he is on a very important chain of questioning.

Mr. LESAGE: I understand the last column on exhibit 3 is for February 25th, only and not for the whole month?

Mr. STORMER: We thought you would be interested as to what this improved formula meant, so what we did, as you can see by the figures, was to work out the increased cost of ingredients.

Mr. LESAGE: On February 25th.

Mr. STORMER: Yes, we did not change anything else in the whole set-up. We used the January figure but we reverted to the new formula ingredients.

Mr. LESAGE: Yes, I understand. Now, is that your answer Mr. Fleming?

Mr. STORMER: We thought you would be interested, and we only had a day in which to work out these figures.

Mr. LESAGE: I was not asking the question for myself but it was for Mr. Fleming.

The CHAIRMAN: Order.

Mr. LESAGE: Now I understand that even during August, September, and November, 1947, according to exhibit 3 you suffered losses in your bread department. Your company net profits on invested capital for the year 1947 were 40 per cent, after payment of all taxes?

Mr. STORMER: I would like, sir, to mention that our company does not own any buildings.

Mr. LESAGE: No, but will you answer my question? Is that correct, 40 per cent net?

Mr. STORMER: That is—well I presume it is correct.

Mr. LESAGE: The net profit after payment of all taxes was \$159,699.34 on invested capital of \$400,000.

Mr. STORMER: I beg your pardon sir, that is the profit from July 1945 up to December 31st 1947.

Mr. LESAGE: What was the profit for 1947 then?

Mr. STORMER: The profit for 1947 was \$72,467.87.

Mr. LESAGE: Pardon me?

The CHAIRMAN: \$72,467.87.

Mr. LESAGE: And that is a percentage of 18· something, is that correct? Now you are selling only wholesale are you not?

Mr. WILSON: That is correct.

Mr. LESAGE: That is correct. You have some drivers who are called salesmen—

Mr. WILSON: Who are salesmen.

Mr. LESAGE: Who are salesmen, and who deliver your goods to the stores?

Mr. WILSON: Yes, sir.

Mr. LESAGE: And what is the basis of their commission? Are they on a commission basis or a salary basis? I have something on exhibit 5 here.

Mr. WILSON: It is a commission basis.

Mr. LESAGE: Yes, and the average per month for your salesmen in Toronto and Montreal is \$355 a month?

Mr. WILSON: Well that is in Toronto. We have not been in Montreal long enough.

Mr. LESAGE: That is in Toronto?

Mr. WILSON: That is something for the boys in Montreal to look forward to.

Mr. LESAGE: Yes, and it is something for members of parliament to look forward to.

Mr. WILSON: That looks very juicy but there is a reason. We figure that the average amount of business that a man should be able to handle, and not injure himself physically, should run somewhere between \$2,800 and \$3,600 a month.

Mr. LESAGE: Yes?

Mr. WILSON: And in view of the fact we have not been able to get equipment, our volume of business is piling up, and they are just taking the brunt of it now. That situation will be corrected within a month or six weeks.

Mr. LESAGE: You will increase the number of salesmen and make a re-division of the territory?

Mr. WILSON: That is correct and it will relieve them.

Mr. LESAGE: Now coming back to your prices. You are selling in Toronto at 12 cents, 11½—

Mr. WILSON: 11½ unsliced and 12 cents sliced.

Mr. LESAGE: 12 cents sliced, and the retail price of the sliced or unsliced bread is the same?

Mr. WILSON: Not in Toronto, no. They are retailing it at 14 and 15 cents, in some cases 13 cents.

Mr. LESAGE: Yes, well there was the case that was mentioned where sliced bread is sold at—

Mr. WILSON: There are others beside that one.

Mr. LESAGE: Sliced bread is sold at 15 cents?

Mr. WILSON: Yes.

Mr. LESAGE: Is there any more handling for the retailer in the sliced loaf of bread than there is in the unsliced loaf of bread?

Mr. WILSON: Not a bit.

Mr. LESAGE: Not a bit, and they are taking a larger profit—12 to 15 cents? You are offering a larger margin?

Mr. WILSON: We are not offering a margin at all, that is their business. They are the retailers.

Mr. LESAGE: When your salesmen go into stores, and let us say on the date that the price of bread was increased from 13 to 14 cents, the conversation between your salesmen and the retailer would be as follows: "Well, the price of bread is up 1 cent this morning!"

Is that right? Is that what they would say?

Mr. WILSON: Yes, sir, but he might not say it—

Mr. LESAGE: He would not say it is going to cost a ½ cent more?

Mr. WILSON: He might not say it just in that tone.

Mr. LESAGE: I do not say that is how he would say it but it would be something along that line.

Mr. WILSON: That is right, we would just advise the grocer that the price of bread had gone up 1 cent.

Mr. LESAGE: 1 cent?

Mr. WILSON: Yes.

Mr. LESAGE: If the price to the retailer is up only half a cent that does not interest the retailer, what interests the retailer more is the increase in the margin he is going to get from now on, is that correct?

Mr. WILSON: That interests the retailer, yes.

Mr. LESAGE: That is what your salesman tells him, the new mark-up?

Mr. WILSON: No, he does not offer them the new mark up.

Mr. PINARD: That is what was done in the case of Pickering Farms according to earlier evidence.

Mr. WILSON: I do not know exactly what was said there. There is a possibility the salesman suggested the retail price, I do not know. There is that possibility. I know if I were a salesman and I had something to sell I would go to a store and say our price today is 11.5 cents, and the grocer asks me what do you think I should get for it and I would say it is up to you but I think the prevailing price would be around 14 cents.

Mr. LESAGE: Maybe he would not use so many words.

Mr. WILSON: What is that.

Mr. LESAGE: He would not say it in so many words, you would say the price is up 1 cent this morning; that is correct?

Mr. JOHNSTON: Does he not sell on commission?

Mr. WILSON: That is right.

Mr. JOHNSTON: Would it not be more to his advantage for the retailer to sell it for 14 cents?

Mr. MacINNIS: No.

Mr. JOHNSTON: The salesman's commission would be on the 11.5 cents?

Mr. WILSON: Yes.

Mr. JOHNSTON: And the retailer's commission would result from the selling price he got?

Mr. WILSON: That is right.

Mr. JOHNSTON: Your retailer would be getting more commission if he sold at 14 cents, at the prevailing price suggested to him?

Mr. WILSON: That is right.

The CHAIRMAN: May I ask you a question which is disturbing me? As far as I can see on the highest month you have had on the exhibits shown to us—that was in January of this year—your profit was \$12,000, the highest figure it ever reached, less that \$1,750 figure.

Mr. FLEMING: Do you mean profit or volume?

The CHAIRMAN: Profit; we are talking about profit. Isn't that right, \$12,000?

Mr. STORMER: Yes.

The CHAIRMAN: The only other month at all comparable was the \$14,000 in October, that is right?

Mr. STORMER: Yes.

The CHAIRMAN: Then, have you the figures for February?

Mr. WILSON: Yes, sir.

The CHAIRMAN: They are even higher, aren't they?

Mr. STORMER: I don't know.

Mr. WILSON: We haven't got that yet.

The CHAIRMAN: But the fact is that in what seems to be your highest profit month, that was the time you chose to raise the price; that is a fact, isn't it?

Mr. WILSON: Well, we don't look at it from the highest profit month angle, we look at it from our costs.

The CHAIRMAN: From your costs on the 10·5-cent loaf, you told us that.

Mr. WILSON: On our bread.

The CHAIRMAN: But your general over-all position was better than it had ever been and yet that is the time when you raised the price of bread.

Mr. WILSON: You know, Mr. Martin—

The CHAIRMAN: Is that right or not?

Mr. STORMER: Yes, I would say that is right. We did not know what our profits were going to be.

The CHAIRMAN: No; but the reason you would naturally be expected to raise the price of bread would be because you were in a loss position, but as matters turned out it was your best month.

When the subsidy was taken off in September, the government subsidy, you were pleased with that action, were you not? Let me put the question another way. When the subsidy was taken off and the ceiling was removed you had taken the position, had you not, that you were glad that that step had been taken?

Mr. WILSON: That could be answered yes and it could be answered no, it depends on your point of view.

The CHAIRMAN: You were glad. Is it not a fact that you had expressed the view that you were glad so you would be free now and you would not have controlled prices and you could charge whatever you liked?

Mr. WILSON: I do not know whether we expressed that or not.

The CHAIRMAN: Well, is it not a fact that you did express it? I suggest to you you did, and I do that by way of interrogation. In any event, if you did not, that was the result so you would be on your own and you could charge what the traffic would bear?

Mr. WILSON: Oh no, not what the traffic would bear.

The CHAIRMAN: The fact is—I am coming to the basic part of my question—that you raised prices in your best month.

Mr. MACINNIS: Mr. Martin, would you let me ask him a question there? Do you know if your sales increased or decreased during the month of February since the price went up?

Mr. WILSON: They have actually decreased.

Mr. MACINNIS: They have actually decreased?

Mr. WILSON: That is right, but not on account of price.

Mr. MACINNIS: No, we can leave that.

Mr. FLEMING: It is a shorter month.

The CHAIRMAN: I should point out, Mr. MacInnis, that Mr. Winters had some questions he wanted to ask.

Mr. WINTERS: I think we are all on the same line. Mr. Chairman, am I out of order now?

Mr. MACINNIS: O.K., I have been trying to get in, but if you insist—I tried to get in before Mr. Maybank.

Mr. WINTERS: It has to be one or the other, which is it Mr. Chairman?

The CHAIRMAN: Go on, Mr. Winters.

Mr. IRVINE: Mr. Chairman, I protest.

The CHAIRMAN: Go on, Mr. Winters.

Mr. WINTERS: The line of questioning I wanted to follow was related to that started by Mr. Maybank and resumed by Mr. Lesage and then yourself.

The CHAIRMAN: We are all on the same thing. All right, go on. That is a line which interests us really and I think ought to be pursued with vigor.

Mr. WINTERS: I will try to do that, Mr. Chairman, with vigor; and I think a good starting point is this Exhibit 3 again which shows a loss for the month of December of .18 percent or .19 cents per thousand loaves, and it is evident here that from December to January there has been a decrease in the price of flour to you; there is also a decrease for November and December in the price of flour to you.

Mr. STORMER: We have indicated on Exhibit 5 the price paid on delivery dates by us.

Mr. WINTERS: Did you have any indication in December that there would be a further decrease in the price of flour in January?

Mr. WILSON: What is that?

Mr. WINTERS: Did you have any indication in December that there would be a further decrease in the price of flour in January?

Mr. WILSON: No.

Mr. WINTERS: There appears to have been a downward trend through November and December.

Mr. WILSON: That is right.

Mr. WINTERS: Then you had certain other costs in January that were higher by small amounts than your costs in December; that is, your direct manufacturing labour showed .20 cents higher, your supervision went up to .01 cents, your package materials went up to .07 cents, your overhead went up to .14 cents and your shop expense went up to .11 cents. On some of these items the increases were within your own control, they were not entirely beyond your control?

Mr. STORMER: No, I do not think so.

Mr. WINTERS: Is not that true?

Mr. STORMER: I just don't know what you mean.

Mr. WINTERS: Well, take your labels, that is controllable, the direct manufacture on labels?

Mr. STORMER: There are no two months alike in the cost of manufacturing the labels.

Mr. WINTERS: But your supervision on all these items were factors beyond your control, were they?

Mr. STORMER: Well, I would say so, generally. We do have control of our labour cost and things like that but we cannot tie them down to any definite figure and keep that for a month.

Mr. WINTERS: I just want to say again that there was a decrease in the price of flour from November to December, again from December to January.

Mr. STORMER: We have indicated that on Exhibit 5.

Mr. MAYBANK: It is also on Exhibit 3, is it not?

Mr. WINTERS: It shows on Exhibit 3 against raw material. I want to make this observation there, that the decrease from December to January is 1.66, and if that had been applied against your over-all statement you would have shown a profit of 1.47 instead of minus .19 if you had had that in December instead of January, so if there would have been any reason to look for a further decrease you would have been in a sound state as far as your manufacturing costs went. I should like to ask a question with respect to January when your 100 per cent wholesale selling value is 115.00.

Mr. STORMER: What exhibit are you referring to?

Mr. WINTERS: Exhibit 3.

Mr. WILSON: Wholesale selling value.

Mr. STORMER: 115-105; that indicates 10½ cents.

Mr. WINTERS: In February it is 115, 11½ cents. What rebates do you give against that, what discounts?

Mr. WILSON: We only have one discount policy. That is 5 per cent if the account does \$130 a month or over.

Mr. WINTERS: If that discount is applied what does it bring the price to you on that loaf of bread?

Mr. WILSON: You will notice if you go down the line \$1.65 is what the trade discount was.

Mr. STORMER: You divide that by 105 and you would get the percentage, 1.55.

Mr. WINTERS: It is 1.55 cents?

Mr. STORMER: No, the percentage.

Mr. WINTERS: At any rate, that would bring the price to you on that loaf of bread from 11.5 down to what, something just under 10 cents?

Mr. STORMER: By taking off the trade discount?

Mr. WINTERS: Yes.

Mr. STORMER: That would be \$103.25.

Mr. WINTERS: What?

Mr. STORMER: \$103.25.

Mr. WINTERS: That is 10.3 cents per loaf. Is that it?

Mr. STORMER: That is right.

Mr. WINTERS: And that loaf retails for 14 cents?

Mr. STORMER: Generally.

Mr. WINTERS: Or a mark-up of 3.7 cents. Does that appear on the face of it to be a high mark-up for this type of commodity for a retailer?

Mr. WILSON: That depends on the point of view as far as the grocer is concerned, and I am speaking now of the greatest majority of grocers, namely, the small independent grocer, neighbourhood grocer. He feels that is what he needs.

Mr. WINTERS: Mr. Chairman, I want to say again before I leave this exhibit that in the face of what appeared, that there might be a decrease in the price of flour, if the company had waited another month before putting up their price they might well have realized a profit without an increase in price.

The CHAIRMAN: That is clear, is it not?

Mr. WINTERS: That is clear, except that they did not know the price was going down in January at that time. I want to refer to exhibit A in which the company showed a profit for 1947 of \$334,253.61, including a surplus carried over from the year before of \$87,231.47.

Mr. STORMER: Would you repeat that? I had a little trouble finding the exhibit.

Mr. WINTERS: Exhibit A, the balance sheet, shows that the profit for 1947 was \$334,253.61.

Mr. STORMER: No, it shows there the profit was \$247,000. That is before depreciation.

Mr. WINTERS: If you add that to your surplus you get the figure I have just quoted.

Mr. STORMER: No, you would have to take from the \$247,000 depreciation and income tax.

Mr. WINTERS: But at that period, that is, before you do that, and I am just referring to that figure. I also want to refer to the figure of earnings when related to the amount of common stock outstanding and show that your earnings were running high and your surplus position was good. Then referring to exhibit 1, it shows that you were enjoying an over-all operating profit through the period you have shown on this exhibit with the exception of the one month of June, and that at the present time you are enjoying a good over-all profit, and with due reference to the importance of bread as a commodity in every household budget I think that the conclusion that will be drawn from your statement is this. I would like your comment on it. It is that when you are enjoying a good profit you do not pass the benefit on to the consuming public in the form of a price decrease, but the minute you incur a loss, even in one commodity which is such an outstanding important commodity, you allow it to reflect itself to the consumer in the form of a higher price. I should like the witness to comment on that.

Mr. LESAGE: Mr. Winters, might I add that the loss was made only on unsliced white bread.

Mr. WINTERS: Yes.

Mr. LESAGE: On sliced bread they were making a profit.

Mr. WINTERS: And in the face of factors which might easily have reflected themselves in a profit the next month.

The CHAIRMAN: I think that is a very fair statement and summary of the evidence, and nicely put. I am sure the committee would be glad to hear comment on that.

Mr. WINTERS: That is the conclusion that is going to be drawn, and I should like to hear the witness comment on it.

Mr. STORMER: I should like to say the profit in January was, of course, increased by the increase in price which took place in the month of January. In other words, 25 per cent of that month's operation was at the increased price. In addition to that—

Mr. WINTERS: Speaking of that particular loaf of bread alone.

Mr. STORMER: Speaking of that particular loaf. In addition to that the ratio of sliced bread was increasing. I do not have that exhibit in front of me right now, but it had shown a considerable increase over the month of December.

The CHAIRMAN: Page 9. Let us not get off the question. Let us address ourselves to the question Mr. Winters has posed.

Mr. STORMER: That is what I was attempting to do.

Mr. LESAGE: Have you finished your answer?

Mr. WINTERS: If that is the answer I am not finished.

Mr. LESAGE: Has he finished his answer? I am interested to know that.

The CHAIRMAN: Go on.

Mr. STORMER: I should like to make it clear that in our January profits we had profits on iced buns, we had a profit on rolls, we had a profit on Holland Rusk, we had a profit on the sliced bread, and we had a profit on the increased price of bread for 25 per cent of the month of January.

Mr. LESAGE: Are you saying you had a loss in the first three weeks?

Mr. STORMER: Well, it was very close. Certainly it was very close. It might have been $\frac{1}{2}$ of 1 per cent one way or the other.

Mr. WINTERS: I do not think that is near to the answer we should get. It is not concise.

The CHAIRMAN: Pursue it now.

Mr. WINTERS: I think I could pursue it best by making a statement. Again I am not saying this is true. I am saying it is what is going to be deducted from the evidence before us.

Mr. JOHNSTON: By whom?

Mr. WINTERS: By the public.

Mr. LESAGE: He is right at that.

Mr. WINTERS: That when there is a good profit you are none too quick to pass it on to the public in the form of reduced prices, but when there is a small operating loss in one commodity, and that in the light of variable factors which might easily turn to reflect a profit next month, you are quick to pass that loss on to the public in the form of increased prices.

Mr. MAYBANK: And encourage all others at the same time to follow suit and start a general price rise.

The CHAIRMAN: That is the question. Let us get the answer to one question first.

Mr. STORMER: I cannot improve on the answer I have already given.

The CHAIRMAN: All right. I will recognize Mr. MacInnis. He has been waiting. Are you satisfied with the answer, Mr. Winters?

Mr. WINTERS: I just wished to make that final observation in the light of the fact the public is bound to deduce from this statement exactly what I have deduced. I do not believe they could do otherwise. I do not believe the witnesses have given an explanation which is going to allay public suspicion along those lines.

Mr. FLEMING: Does the witness want to make any comment on that?

Mr. WILSON: He is drawing his own conclusion and I presume it is being drawn for the benefit of the public.

The CHAIRMAN: You must not say that. Order.

I think Mr. Winters has been very fair in his statement of the situation. He has drawn his opinion not for the benefit of the public, but as a member of the committee. I must say, on the basis of the evidence, and as a member of this committee, it is my opinion also. Now, Mr. Winters is trying to give you an opportunity of explaining. The fact is that you did increase the price of bread in your best profit month and he draws the deduction that it would seem from the evidence before this committee thus far, that when you show a slight loss on one item in spite of variable provocations, you have no hesitation, seemingly, in increasing the price. Conversely, when you do show a profit position you are not as quick to reduce the price. That is the evidence but there may be an explanation. Mr. Winters has been trying to press for the explanation because this committee wants to be fair in arriving at its deductions.

Mr. WINTERS: If there is an explanation we are anxious to hear it.

Mr. STORMER: We have already indicated we had decreased the price on iced buns. You understood that? In other words, we had been losing money on bread but we were making more profit on this particular item than we had a right to make—it also had to face the competition. We reduced the price and gave the consumer better value on the iced buns, but we tried to bring bread up to where it belonged and to where it would carry its own share of the profit.

Mr. WINTERS: I will leave it at that.

The CHAIRMAN: Mr. MacInnis?

Mr. MACINNIS: I am not going to start questioning at this time of night.

Mr. MAYHEW: I just want to refer to the discrepancy between December, where the sales figure is \$278,882.70, and you make a profit of \$9,978.98. The following month on a somewhat smaller figure you make a profit of \$12,647?

The CHAIRMAN: Well, you may pursue that line of questioning in the morning, Mr. Mayhew.

The meeting adjourned to meet again tomorrow, March 11, 1948 at 11.00 a.m.

Government
Publication

BINDING SECT. JAN 21 1980

Government
Publications

